# CIAI TIMES

**TUESDAY NOVEMBER 17 1998** 

World Business Newspaper http://www.FT.com

Personal computers Coming soon - a bank account with a free pc inside Track, Page 13



Lee Kuan Yew No simple solutions to the Asian crisis FT Interview, Page 16



Dali - the rehabilitation From monster equ to master of myth Arts. Page 15

Today's survey North American **Business Locations** Pages 29-32

WORLD NEWS

#### **Italy and Turkey** clash over Kurdish leader's extradition

Italy and Turkey were last night edging towards a serious diplomatic dispute as Rome appeared reluctant to extradite Abdullah Ogalan, leader of Turkey's outwad Kurdistan Workers' Party (K) to Ankara. Page 18; Italier Empathy, Europe, Page 2

Greens call for burnigrants deal France's Green party has broken ranks with the government's immigration policy, calling for 60,000 llegal immigrants to be flowed to remain in the country. Europe, Page 2

Airports warned over charges Airport operators in Denmark and ireland have come under flerce pressure from airlines not to raise landing charges next year to offset lost income when duty free retailing is abolished within the European Union. Europe, Page

Market for new cars falters Western Europe's strong new car market growth this year faltered in October. But leading motor Justry executives insist that fre are no sound reasons for ine itenket to slip into recession. Euro, 7, Page 3

MF urges Swiss to reform tex The International Monetary Fund has urged Switzerland to reform its tax system to reduce inefficlencies arising from the differing corporate and income tax systems of the country's 26 cantons. Europe, Page 3

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New euro payments system The first euro payments system went live yesterday when the Euro Benking Association switched its system for settling Ecus over to a new network designed to handle 40 per cent of cross-border euro payments. Europe, Page 3

Gates denies competition worder Bit Gates, chief executive and to der of Microsoft, tried to distance himself and his company net software with Netscape Communications. The Americae,

Page 6 Cuba edges to Paris Club accord **Guba stapped up consultations** with its Paris Club creditors about the possibility of unblock-ing debt re-scheduling negotiations. The Americas, Page 6

> Netanyahu delaye land handover Benjamin Netanyahu, Israeli prime minister, said he was postponing plans to hand over land to the Palestinians until Yassir Arafat, president of the Palestinian Authority; retracted recent remarks warning of an armed prising against largel, internetional, Page 8

Sting in comet's tall for satellites The operators of more than 500 satellites in orbit around Earth are taking precautions to protect them against what may be the strongest meteor storm since 1966. International, Page 8

Tokyo stimulus gets cold reception The Japanese government's enhanced economic stimulus package received a lukewarm reception from markets and analysts. Asia/Pacific, Page 4; Editorial Comment, Page 17; Observer, Page 17

Beijing orders reshuffle The Chinese government is reshuffling senior financial personnel as part of Beijing's efforts to rationalise and re-centralise. control of the financial services industry. Asia/Pacific, Page 4

# **BUSINESS NEWS**

#### France Telecom hopes alliance will drive global growth

France Telecom aims to generate national activities by 2006 by its domestic fixed-line operations fell 5.4 per cent to FFr89.5bn (\$12.27bn) in the latest nine months. Companies and Markets, Page 19

Shares of Rhone-Poulenc and Hoechst, the French and German pharmaceuticals groups, surged as rumours of a merger between the two rivals reached fever pitch. European companies, Page 20

General Motors has put a price tag of \$8bn-\$10bn on Delphi Automotive Systems, its parts making operation, and vowed to push ahead with a plan to shed the business before the end of next year. Companies and Markets, Page 19

telecommunications group, reported earnings up 15.2 per cent in the latest nine months, in line with expectations. European companies, Page 20

Kraemer, the troubled (\$160m) adjustment that wiped companies, Page 20

Bristol-Myers Squibb, the

British Steel blamed a 24 per cent drop in interim profits on falling European prices, and forecast a loss for the year unless trading conditions improve.

**Moody's**, the US ratings agency, warned it may downgrade the debt of Nissan and Mitsubishi 19; Lex, Page 18

industry to further foreign investment, counting on RMB10bn (\$1.2bn) worth of overseas funds

Nikko Group of Japan has exed its Hong Kong securities and futures operations, dealing a fur-ther blow to the territory's financial services sector. Asia/Pacific

The Jepanese government will decide by the end of the week whether to go ahead with the

equity group, is acquiring almost half of Jordan Grand Prix, the UK-based Formula One motor racing team, for about \$60m. UK

**World Equity Markets** The latest trends and data from more then 50 netional markets at a plance

a third of its revenues from intercapitalising on its Global One all-ance with Deutsche Telekom and Sprint of the US. Revenues from

Telefónica, the Spanish

Anglo-Norweglan construction and shipbuilding conglomerate, warned it faced possible further writedowns following a NKr1.2bn out nine-month profits. European

US-based pharmaceuticals company, said it would take a fourthquarter charge of \$400m-\$500m to incresse its reserves for liability in breast implant litigation. US companies, Page 21

19; Lax, Page 15

Motors, the Japanese automotive groups, to non-investment status. Companies and Markets, Page

China plans to open its railway for railway construction over the next five years. Trade, Page 5

companies, Page 24

sale of a fourth tranche of shares in NTT, the telecommunications giant. Asia/Pacific companies, Page 24

Warburg, Pincus, the US private

Page 45

# WORLD MARKETS OCK MARKET MINCES BOLD New York: Contex (+61.25) (+15.52) London IORTH SEA (St. (Argue) \$511.095 (11,40)

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# Viag and Alusuisse in talks Weapons inspectors

German conglomerate poised for full-blown takeover of Swiss industrial group

By William Lowis In New York

Viag, the German conglomerate, is in takeover talks with Alusuisse-Lonza, the Swiss industrial group, in the latest burst of European cross-border consolida-Viag has a market capitalisa-

tion of DM31.5bn (\$18.9bn), and

Alusuisse has a market capitalis-ation of SF10.2bn (\$7.5bn), That means a takeover would create a company with market capitalisation of approximately \$26bn. Both companies declined to

comment, but people close to the egotiations said that while the talks had been wide-ranging -covering alternatives short of a full-blown takeover - both sides seemed settled on a comprehensive takeover by Vlag.

Hoechst of Germany and Rhone-Poulenc of France, two of the world's largest pharmaceutical and life sciences companies, said they remained on track to agree a merger within days.

The two prospective deals are the latest in a trend of big mergers in Europe this year spanning sectors from pulp and paper, through steel the motor industry and chemicals, to banking and insurance, prompted by growing global competitive pressures and the launch of the single European currency in January.

Viag said last week it was looking for "rapid" improved in its performance industrial activities - which include chemicals, aluminium and packaging to balance earnings from its core

Separately, people close to energy division. Wilhelm Simson, the group's newly appointed chairman, said a balance could be achieved through external as well as internal growth.

Besides power and its industrial activities, Viag has pushed into telecommunications, where it has a joint venture in Germany with British Telecommunications and Telenor of Norway. in the first nine months of 1998,

Viag increased pre-tax earnings by 17 per cent to DM2.6bn. Sales were up 8 per cent at DM39.5bn. Alusuisse-Lonza is a maker of aluminium, chemicals and packaging. In February it was disclosed that Martin Ebner, Switzerland's best known corporate

predator, had taken a 6.3 per cent stake in the Swiss company

dian chief executive of Alusuisse Lonza, has overseen a significant restructuring of the group, push-

Over the past decade the group has been transformed from one devoted to raw materials and primary products into a technology based group in the fields of aluminium, chemicals and package ing. More than a third of its operating income comes from aluminium.

Shares in Hoechst rose 3 per cent yesterday to DM78.30. Rhône-Poulenc shares ended the day in Paris up FFr8.70, or 3.4 per cent, at FFr26-L80.

Additional reporting by William Hall in Zurich and Raiph Atkins

Sergio Marchionne, the Cana- Chain reaction, Page 16



# Germany abandons hope of rate cut

German government indicated yesterday it had given up any hope of a cut in interest rates this year as signs emerged from central bankers that European short-term rates will converge at 3.8 per cent over the

- Oskar Lafontaine, finance minister, said at a Franco-German economic summit in Bonn that bility. his calls for a relaxation in mons-

tion until January 1.

insisted his position had been falsely interpreted, his comments drew a line under a public confrontation with the Bundesbank, to Germany's demands for a which has a revered indepen- rethink of its high contribution dence in Germany and has to the EII's hudget. He said it was recently resisted calls for cuts in not acceptable that not recipient interest rates. He said his aim was a "European" monetary policy that supported growth and employment as well as price sta-

In addition, Mr Lafortsine and tary policy had been directed at Dominique Strauss-Kahn, the that he expected the process of the new European Central Bank, French finance minister, said interest rate convergence to be

which does not come into opera- they were looking to reach a deal completed by the ECB governing on European corporation tax har- council's meeting on December presidency of the European Union in the first half of 1999.

Mr Lafontaine linked the issue countries were offering companies tax breaks that encouraged relocation away from net contributing countries.

Hans Tietmeyer, Bundesbank president, said at the summit

Although Mr Lafontains monisation during Germany's 22. Economic and monetary message even more sceptically: union begins on January 1.

The benchmark securities repurchase rate is 3.3 per cent in Germany, France, Austria and the Benelux countries. Reimut [ they come to a point at which the Jochimsen, president of the raqis stop them."
North-Rhine Westphalia state In Baghdad, Ul cantral bank, said a unilateral German interest rate cut would be counter-productive and potentially damaging at a time when there was sufficient liquidity in the economy.

# return to put Saddam to the test

By Stephen Fidler in Washington, Andrew Parker in London and Roule Khalef in Seghdad

United Nations arms inspectors return in force to Iraq today with clear backing from the US and Britain to put Baghdad's co-operation pledge to the test. In a sign of deep scepticism

about President Saddam Hussein's intentions, the US and Britain also said they were study-

ing how to topple his regime. Tony Blair, the UK prime min-ister, told his parliament yesterday that "with the US we are looking at ways in which we can bolster the opposition and improve the possibility of remov-

ing Saddam Hussein". Mr Blair's official spokesman later backtracked to claim that removing the Iraqi leader was not a policy goal of the UK, although President Clinton had declared the same aim even as he accepted Mr Saddam's latest climbdown.

Washington and London withdrew their threats of immediate military action at the weekend after accepting assurances from Baghdad that it would allow the inspectors to resume work in Iraq. Mr Clinton had launched then aborted a bomber attack on

Senior figures on both sides of the Atlantic said they now wanted inspectors from the UN Special Commission (Unscom) to test Iraq to the maximum as soon

as possible. William Cohen, the US defence secretary, said it would rapidly become clear whether Baghdad intended to comply. "We will see very quickly whether the deeds

are going to match the words, he said. A British minister repeated the "Obviously, they [Unscom] are going to come to a crunch point very shortly. It's going to be days, or at most weeks, before

In Baghdad, UN officials said 84 weapons inspectors out of more than 100 suddenly evacuated last week would arrive in Iraq today, with the rest expected tomorrow.

Fixer pulled Saddam back, Page 8

# BMW seeks UK pledge over euro

By David Wighton, Graham Bowley and Juliette Jowit in London

BMW has sought reassurance from the UK government that Britain will seek early membership of the single currency.

The German carmaker wanted the reassurance before committing itself to a £1.5bn (\$2.5bn) development programme at its Rover subsidiary's threatened Longbridge plant near Birmingham, England. Rover is hoping in the next few

days to secure an agreement with unions over new working practices and job cuts of up to 2,500 atmed at stemming heavy losses. If agreement is reached and the investment goes ahead, BMW is also expected to request a £200m package of UK and European Union aid.

But the company is concerned about whether to invest in Long-hridge if Britain is likely to stay out of the single currency in the medium term.

Bernd Pischetsrieder, BMW chairman, has previously issued stark warnings about the dangers sure BMW has someht reassurance about the single currency."

campaigning for the government

timetable for joining the euro.

Mandelson, the pro-euro trade and industry secretary, insisted that BMW had not been given any special assurances. "It is natural that they would

like to get a feel of where we are on this. But they will have been given the standard line that if it is a success and in our economic interests to join, we will join." BMW is known to believe that the crisis at Rover could have been avoided if the UK had opted to join the euro in the first wave. "Pischetsrieder would have made that point forcibly," said an

industry insider close to BMW. The company would not com-ment on whether it had sought resssurance, but said: "We would like to see Britain as part of Emu European economic and monetary union! The British pound is overvalued because of its high interest rates."

BMW is planning to invest £1.5bn in the ageing Longbridge plant to build lines to make the new Mini, the MG sports car and a new medium-sized car.

But it is looking for at least 2200m of public money to subsidto UK manufacturing of a pro-ise the programme and has longed period outside the euro. warned that production of the A Rover official said: "I am new medium-sized car could be sure BMW has sought reassur- switched to Austria or Hungary. No formal request for aid has

BMW's concerns will be seized yet been lodged, but ministers on by those in the UK cabinet recognise a generous package will be required to safeguard jobs to give a clearer indication of the at Longbridge.

But a spokesman for Peter Lax, Page 18

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Full contents and Less back page



# Italian sympathy for Kurdish issue makes Turks fearful

The moustachloed figure of Abdullah Ocalan could be western Europe, but his is is an economic wasteland. an altogether uncommon

most wanted man. As such, policy. he has the potential to cause a serious rupture in relations between two Nato allies. When Mr Ocalan was than last month, when Turarrested at Rome airport last Thursday night. Mesut Yilmaz. Turkey's prime minister, said it was the "heaviest blow" meted out to the Kurdish Workers party (PKK) since Mr Ocalan set it up in 1978. Now, Turkey and Italy are locked in a row over his extradition and it is the PKK that can smell a

The importance to Turkey of Mr Ocalan's capture would be difficult to overesled an armed struggle for Kurdish autonomy in the country's Kurdish-majority south eastern provinces. over Turkey's relations with Fighting Mr Ocolan's Marx- Europe as the policy-makers

taken 30,000 lives costs Turkey some \$7bn a year to wage and keeps millions of mistaken for any number of Kurds a resentful minority. economic refugees who have Thanks to the uprising. fled the Middle East for much of Turkey's south-east

But Mr Ocalan's importance is just as discernible He is the international beyond the south-east and face of armed Kurdish his hand has been felt on nationalism and Turkey's almost every area of Turkish This influence, baleful

> from Ankara's viewpoint, rarely more evident key threatened war if Syria, Mr Ocalan's intermittent base since the early 1980s, did not formally cut its support for him. Syria complied. But Turkey's relations with Russia were then stretched uncomfortably when Mr Ocalan made a request for asylum there. Earlier this month, Turkey enraged another neighbour, lraq. when up to 25,000 Turkish troops struck deep into northern Iraq in search of PKK rebels who had crossed the border from Syria. Arguably, Mr Ocalan exerts as much influence

pressing even mild forms of minority nationalism, Turkey has watched its human rights reputation slide and with it, its chances of getting into the European Union. Relations with Germany. where the PKK collects millions of dollars annually from expatriate Kurds, have long hinged on the attitude adopted by German courts to the PKK. Even before Mr Ocalan

arrived in Rome from Moscow, Kurdish issues had inflamed Turkey's relations with Italy, which recently allowed the "Kurdish parliament-in-exile", a PKK front, to meet in Rome's parlia-ment building. All this explains Turks' elation when they heard of Mr Ocalan's arrest. Their desperation to try him is measured by the government's readiness to scrub capital punishment from its statute books, erasing one possible Italian objection to his extradition. With the autocratic and inspirational Mr Ocalan behind bars, Turkey hopes the PKK, weaker militarily than it has been for some years, will collapse



Abduliah Ocalan: leader of Turkey's Kurdistan Workers party

thies of Green and Communist members of the coalition of Massimo D'Alema. boosted by the recent convergence on Rome of thousands of Europe-based Turks fearful Should Italy accept Mr Ocalan's asylum request, the PKK leader would have a perfect European base in which to replace his combat fatigues with a suit and tie, and transform himself into a statesman. That eventuality was evoked by Musa Kaval,

a member of the Brussels-

refused to talk to Arafat, and South Africa interned Mandela. Here, too, the time has come to hand diplomacy the initiative."

This is what Turkey's generals want to hear least. With each fresh casualty in refer to as northern Kurdistan, it becomes harder for the sort of weak coalition government currently in place to talk about even limited cultural autonomy for

FRANCE CALL FOR 60,000 'SANS-PAPIERS' TO BE ALLOWED TO REMAIN

# Let immigrants stay, say Greens

confiscated.

By Robert Graham in Paris

France's Green party has broken ranks with the government's immigration pollcy, calling for some 60,000 illegal immigrants to be allowed to remain in the country.

the week-end by Dominique Voynet, the Green's minister of environment, who told a party congress: "I am being neither cynical nor naive when I say those without their papers in order must be allowed to regularise their position: this is

This call was backed by from other members of Daniel Cohn-Bendit, the Prime Minister Lionel Joscharismatic May '68-era stu- pin's Socialist-led coalition. hard line insisting on repa-dent leader, who at the "it is out of the question to triation of all those who Since taking of weekend was adopted as the consider regularising the pext year's European parliamentary elections.

Their comments provoked Europe. a hostile reaction yesterday

**GLOBAL EMERGING MARKETS INVESTMENT COMPANY** 

NOTICE OF MEETING

We have the pleasure of inviting you to altered the Annual General Meeting of shareholders, which will be held on December 3, 1998 at 11,00 a.m. at the registered office at 47 Boulovard Royal, L-2449 Luxembourg, with the following agends:

Approval of the balence sheet, profit and less account as of September 30, 1998.

Discharge to be granted to the Directors for the financial year ended September 30, 1998.

30, 1996

4. Action on nomination for the election of The Hon, J. Ogitvy, André Elvinger, Roborto Seder, Karon Clarke and Uday Khomica as Directors and PriceWaterhouseCoopers as Auctions for the ensuing year.

5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the dems of the agends is required, and that the decisions will be taken at the mejority vote of the shares present or represented at the Moeting. Each share is entitled to one vote. A shareholder may act at erry Medicing to prome.

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AGENDA

Presentation of the reports of the Board of Directors and of the Auditor.

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Monaco court confirms money laundering sentence

Monaco appeais court yesterday confirmed a 12-year prison sentence on Moshe Binyamin, an Israeli citizen, for laundering drug money, writes Robert Graham in Paris.

It was the first money laundering case to come before the principality's courts, largely staffed by French judicial personnel under legislation passed in 1993. In addition to the prison sentence, Mr Binyamin was also fined

trafficking offences.

position of all the proper papers," said Pierre Muscovici, the minister for

Immigration is a highly

FFr100,000 (\$17,650) and the French Justice ministry and the principality over how to treat the affair which had \$5m worth of assets

Mr Binyamin, Italian-bom with residence in the Netherlands, was arrested in 1995 after he had tried to deposit \$5.5m in cash at the Edmond de Rothschild bank in Monaco. In the 1980s he had fallen foul of the authorities in both Bolivia and Brazil for drugs

The judicial investigation strained relations between

emotive issue in France,

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churches and hunger strikes with the right taking a have received noisy support

threatened to damage the name of Monaco offshore

According to Le Monde,

Gaston Carrasco, Monaco's

sought at one stage to have

a young investigative judge

removed from the case. But

the French justice ministry

threw its weight behind

the prosecution of Mr

chief public prosecutor,

banking.

Since taking office 18 have illegally entered the months ago Mr Jospin has sougnt a careiui daianci In contrast, the left has between checking the flow of inhumane and expensive. embraced the cause of illegal illegal immigrants and piers, whose sit-ins in those seeking to regularise tion flights.

The government ruled out full-scale amnesty, aware this would set a precedent.

Under new regulations introduced in June 1997, some 140,000 people applied to stay in France either on the grounds of family unification, political persecution in their country of origin, or

long stay. The bulk of these applications have been processed and the interior ministry has let it be known about 80,000 applications are expected to be approved.

Since the summer both the Greens and the Communists have been pressing Mr Jospin to allow even those whose applications have been refused to stay in

They argue the system of enforced repairiation Air France pilots are immigrants, the sans-pa- humanitarian concerns for already boycotting repatria-

# German prices fall further

By Ralph Atkins in Bonn

Further evidence of the downward pressure on prices in Germany emerged yesterday, with official figures showing wholesale prices fell by 4.7 per cent in the year to October - the biggest year-on-year drop for

PARSAULE Publishing Director: P. Mannvigha, 42 Rue La Boétie, 750 N PARIS Telephone (01) 5716 \$254, Fax (01) 5776 \$257 Printer: S.A. Nord Eclair, 1572 Rue de Carre, F-59100 Roubaix Cedex 1. Editor: Rachard Lambert. ISSN 1148-2753. Communicion Paritaire No 67585D more than 11 years. The decline could feed through to further reduc- the same month a year tions in the coming months before. in Germany's annual inflation rate, which dropped to 0.7 per cent in October. With exceptionally low level. recent trends in German

the verge of deflation. Germany's wholesale price index, as compiled by the federal statistics office in Wiesbaden, has shown yearon-year drops in every month since April but the rate of fall has accelerated in recent months. August and September saw drops of 3.5 per cent and 4.2 per cent respectively compared with

The virtual eradication of inflation in Germany has encouraged Oskar Lafoninflation in France also at an taine, finance minister, to call for monetary, as well as fiscal and wage policies to be prices have triggered fears targeted at encouraging eco-that the core of the Euro-nomic expansion and job crepean economy might be on ation.

groups edge closer

to merger

and David Owen in Paris

Aircraft

Six European aerospace companies yesterday told their governments they had eached "a wide measure of agreement" on issues surrounding the creation of a unified European aerospace and defence

their However, confidential report fell short of the plan demanded by ministers in July and was seen in the industry as a holding measure designed formally to meet the governments' request while negotiations continue between companies on

The report was submitted by the four Airbus consortium partners -Aerospatiale of France British Aerospace (BAe), Construcciones Aeronauticas (Casa) of Spain DaimlerChrysler Aerospace (Dasa) of Germany Finmeccanica-Alenia of Italy

and Saab of Sweden, in which BAe holds 35 per cent. Following demands for a cross-Europe rationalisation from the British, French and German governments last December, the Airbus partners agreed earlier in the year on the principle of uniting into a single aerospace and defence company big enough to challenge American rivals.

The company would be listed on the stock market and would have a single ement. The discussion process has since widened to include the Spanish, Italian and Swedish governments and companies. The six governments are working to remove export controls, pool research spending and harmonise procurement in order to facilitate industry rationalisation.

However, state ownership. especially in France, remains the biggest obstacle to a "hig bang" merger of BAe, Aerospatiale and Dasa which would be followed ater by the addition of the other companies. With no timetable set by France for full privatisation of Aerospatiale - though it is being partially privatised -BAe and Dasa have

merger and a number of other potential deals are being mooted. Saab said yesterday: "The

next step will be for the governments concerned to discuss how several of the outstanding questions are handled. This includes, for instance, the state interests and research co-operation." The six companies said an integrated European Aerospace and Defence Company (EADC) was the "right target structure", and that their report addressed questions including government rights and

safeguards in EADC." This is a key issue for France, which last week appeared to take a step in preparations for an EADC with approval by the Dassault Aviation board of the transfer of the state's 46 per cent stake in the group to Aerospatiale. Dassault, which makes Rafale and Mirage fighters, has not been a part of EADC discussions. Last week's move has not entirely removed doubts about the attitude towards rationalisation by Serge Dassault, head of Dassault.

**NEWS DIGEST** 

STATE AID INQUIRY

# **Brussels to investigate** east German shipyard

The European Commission will next week start a formal state aid inquiry into the Warnow Werft shipyard in east Germany in spite of pleas by the German government to reconsider. The yard, owned by Kvaemer, the Anglo-Norweglan construction and engineering group, has exceeded the capacity limits imposed under a 1992 deal; which allowed aid to be given to Warnow provided it stuck to

strict production cellings.

According to European Union officials, Warnow is likely to produce more than 100,000 compensated gross tonnes this year, 15,000 tonnes over capacity. At a meeting of industry ministers in Brussels yesterday, Germany argued the increase in production was temporary and linked to an order for an offshore oil platform which has to be completed by 2001. It also argued that from 1998-2001, average production was likely to be around 67,000 tonnes – well below the 85,000 tonne capacity limit. Other member states said they sympathised but insisted the 1992 agreed ment had to be adhered to. Emma Tucker, Brussels

CREDIT LYONNAIS

### Price due for clause

The European Commission will tomorrow set a price of FFr15.8bn (\$2.7bn) for the sale by Crédit Lyonnais, the troubled French bank, of a penalising loan and profit participation clause.

The clause was imposed by the European Commission under the bank's original 1995 rescue plan, and stipulated that Crédit Lyonnais had to pay a substantial proportion of its profits back to the state. This was considered necessery to ensure that profits made by the bank as a result of its bail-out by the French government would not be used

Cancellation of the clause was necessary ahead of the bank's privatisation next year. The clause will in effect be sold to EPFR, a government entity set up to help rescue the bank. An evaluation carried out by Arthur Andersen suggested a price of FFr19bn. Emma Tucker, Brussels

KOSOVO DISPUTE

### Talks offer turned down

Kosovo Albanian leaders and western mediators have turned down an offer by the Serbian government to renew direct talks tomorrow. They said nothing could come of such a meeting and questioned Belgrade's sincerity.

Milan Milutinovic, president of the Serbian republic,

issued the invitation on Saturday, saying only dialogue and political means could settle the conflict in the Serbian province, Fehmi Agani, a senior adviser to Ibrahim Rugova, eader of the main Kosovo Albanian party, said the two sides were too far apart for face-to-face talks but that indirect negotiations would continue with the mediation of Chris Hill, US envoy. Mr Hill, invited by Belgrade to attend the talks as a "guest" but not as a mediator, had prior engagements in Vienna and would not join Mr Milutinovic In Kosovo, a US diplomat said.

The only direct contact between the two sides in Ma achieved nothing. It was soon followed by a government offensive against ethnic Albanian villagers harbouring proindependence rebels. Guy Dinmore, Belgrade

CZECH ELECTIONS

### Rebuff to Social Democrats

Czech voters in municipal and Senate elections delivered a rebuff to the minority Social Democrat government at the weekend, underlining the precariousness of its position. in the first round of voling for the 27 Sens re-election, Social Democrat candidates led in only three constituencies and went through to a run-off next weekend in 15. The Civic Democrats of former premier Vaclav Klaus led in 13 and went through in 22. A coalition of four centre-right parties led in 10 and progressed in 14.

In the municipal elections, the Social Democrats won 17.5 per cent of the vote against 24.3 per cent for the centre-right Civic Democrats and took only 7 per cent of the seats. The Civic Democrats led in all the big cities and

in every district in Prague. The Social Democrats formed a minority government after general elections in June. The two parties have agreed to examine changing the electoral system to make it easier for bigger parties to win a majority. The run-off elections for the upper house will be closely watched because if, as looks likely, the two big parties hold 12 seats, they would have the three-fifths majority needed to

push through such changes. Robert Anderson, Prague

AIR FRANCE

### Cabin crew to strike

Air France flights are expected to be seriously disrupted by a two-day cabin crew strike, which begins today. The airline, due to be privatised next year, has warned passen gers that 45 per cent of long-haul flights and 40 per cent of short distance and domestic flights are likely to be can-

The disruption will affect both Orly and Roissy airports in Paris. The strike has been prompted by demands to change the system of work rotas and to end a two-tier salary scale that penalises new employees. In June, pilots, caused losses of over FFr1.2bn (\$211m) by a crippling strike over cost-cutting moves. Robert Graham, Paris

# Direct to the top.

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- Marie Legal Land All warners told serves identificate per wert a light a minist



Brussuls to meesign

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In ireland, a group of airlines led by Aer Lingus and Ryanair is appealing to the government to prevent Aer Rianta, the state-owned airport authority, from implementing a plan that could, they said, sharply increase

risen in Denmark, where s and Maersk Air are king to refer a 15 per cent increase at Copenhagen air-port to the Danish competition authorities, arguing that it should be subject to

Aer Rianta and Copenhagen Airports, the privatised Danish group, are among the first operators in the EU to signal increases in landing charges to take account of the expected loss

Denmark and Ireland have airlines received large come under fierce pressure rebates on new scheduled from airlines not to raise services from its airports. Airlines said the ending of offset lost income when duty the widely-used scheme free retailing is abolished would substantially increase their costs.

European carriers expect a rash of copycat increases as the July 1 deadline set for abolition by EU finance ministers looms. In the UK, BAA's three London airports have been given permission by their regulator, the Civil Aviation Authority, to raise A similar situation has landing charges by 15 per cent over two years.

Airlines are becoming militant about opposing increases because of contraffic, which increased by 10.2 per cent in 1997, is expected to grow by 8.8 per cent this year before slowing to 6 per cent growth in 1999. Barney, the US investment

Airport operators in ing a scheme under which ache for the low cost airlines, which have sprung up to take advantage of last EU aviation market.

This is because such charges represent up to 10 per cent of their overall cost base, far higher than for conventional carriers.

"A lot of the growth in intra-EU traffic has been coming from the low cost operators starting new routes," said Michael O'Leary, chief executive of Ryanair. "It is commercial lunacy for the airports to penalise us by raising land-

Intra-EU duty free sales are estimated to be worth about Ecul.6bn (\$1.8bn) and time when airline traffic some regional airports rely growth is slowing within the on them for up to 40 per cent EU. Intra-European airline of their income, according to a study by Cranfield Univer-

> Copenhagen Airports has written to carriers saying next year's proposed 15 per cent increase may not be the

**MOTOR INDUSTRY** 'NO ECONOMIC REASONS FOR SALES TO SLIP'

# Market for new cars **l'alters in October**

for the market to slip into earlier months.

T HAL MARKET

- Lancia - Alfa Pomeo Renault Ford groups

MARKETS

MANUFACTURERS:

January-Oct 1998

(ACEA) show that total new Western Europe's strong car registrations last month new car market growth this in the 17 countries of the year faltered in October. But region were 1,172,078, up leading motor industry exec-utives continue to insist that year and well below the 5-10 utives continue to insist that year and well below the 5-10 the retiring chairman of there are no sound reasons per cent growth recorded in Ford, and John Smith, Gen-

eral Motors' chairman. This lifted registrations for stressed during European Statistics released by the the first ten months of the European Automobile Manu- year to 12,276,164 - up more West European new car registrations

visits recently that they believe there are no economic reasons for markets in either western Europe or North America to weaken over the next year. "The only reason for a recession would be if we were determined to talk ourselves into one," said Sir Alex. Despite ACEA describing

period of 1997 and above the

industry's predictions of

Both Sir Alex Trotman,

around 3 per cent growth at

the beginning of the year.

"significant", its figures show that the ending of govtions were down 23.5 per having a big impact on the total registration figures because the incentives have turned it into Europe's second largest market, behind Germany but above France and the UK despite last month's drop in registra-

Registrations fell in five other markets in the region last month, but with the 0.9 per cent, they were among the region's smallest. In contrast, Spain, the region's fifth largest market, was up 20 per cent.

Volkswagen is continuing to strengthen its grip as the market leader. It captured a record 19.5 per cent of registrations last month, more points clear of General Motors, its closest rival.

IMF REVIEW BERN URGED TO HARMONISE DEFINITIONS AND RULES

# Swiss tax system seen as inefficient 'jungle'

William Half in Bern

The International Monetary to reform its tax system to the country's 26 cantons.

review of the Swiss econharmonisation of tax rules gence of income tax base across the Swiss Confederation, including different definitions of income tax bases and different deadlines for tax collection.

The problem was highlighted last year when Marin Ebner. Switzerland's best-known corporate predator, transferred the headcut his tax bill. The differing timing of tax payments in

escaping paying tax on its just over 2 per cent in 1998
1997 profits to either canton. to 1.5 per cent by 1999, before
The IMF said the differing picking up again in 2,000. It
tax systems resulted in notes that the short-term Fund has urged Switzerland tax systems resulted in "high economic costs". The inflation outlook is "benign" reduce inefficiencies arising decision to harmonise personal income tax collection ing by 1 per cent next year, on a current-year basis by mainly due to a scheduled 2001 was "most welcome" as increase in VAT. The IMF, in its latest it would strengthen auto- - Swiss banks have become matic fiscal stabilisers and less popular, according to an enhance real revenue collections. However, new initiagle". It criticised a lack of tives to promote the conver-

definitions were also urged. The IMF said Switzerland should make the reform of uted to Switzerland's good and corporate tax schedules, sheltered sectors of its economy an "urgent priority". Overall protection in the agricultural sector remained "exceptionally high".

While welcoming Switzerland's efforts to balance its from 64 per cent to 48 per budget by 2001, the IMF quarters of his BZ Bank noted that an ageing popula. The poil was conducted in quarters of the centre of Zurich to tion and other pressures on July, ahead of the announcesocial spending would result ment by UBS and Credit Suibouring canton of Schwyz, to in a "difficult uphill battle to see, the two biggest banks, cut his tax bill. The differing contain fiscal deficits".

The IMF expects Switzer- \$1.25bn to settle US class

that only 37 per cent of the reputation in the world. This compares with 73 per cent in

behalf of the Swiss Bankers'

Association, which found

cent over the same period. the two cantons meant that land's gross domestic prod- actions launched by by Jew-

# wary of stability

'Golden rule' proposal is causing concern, writes

Wolfgang Münchau

"urope's central bankers - are increasingly concerned about plans mooted by key governments in the future euro-zone to soften the stability and growth pact. It is a calculable concern.

The pact, inspired by the previous German government, aims to eliminate structural deficits and bring public debt on to a sustainable trend. It imposes fines subject to a political vote deficits exceed 3 per cent of gross domestic product, except in the case of a severe

The pact is now part of European Union law, but £U law is hardly ever straightforward. Mario Monti, the EU's internal market commissioner, lest month prointerpretation to the pact the so-called golden rule - cally accounts for at least 2 that would distinguish per cent of gross domestic between spending and capital investment. Under this rule, governments would be

1997 1996 1.5<sup>†</sup> 2.2<sup>†</sup> 11.6 11.6 laffation (averal % charge Unamployment (%) 760.8 667.7 671.4 594.2 89.4 73.5 1997 4.117 B.017 GENP growth (%)

**ECB** watch cits for capital investments but not for current spending Given that a structural

cent or more throughout the Actual deficits tend to

deteriorate in times of ecofalling tax revenues and higher spending on unemployment benefit. The automatic stabilisers - the fluctuation margin around a structural deficit during an economic cycle - accounts percentage points of GDP in either direction. This means if a government runs a structural deficit of 2 per cent, the

the pact be re-written. He merely says politicians should take the golden rule actual deficit will deviate into account when deciding between 0 and 4 per cent during the economic cycle, Investment spending typialthough usually in a cally accounts for at least 2 smaller band. Deutsche Bank Research product in most countries, if estimates that the average a golden rule were applied in 1998 structural deficit for the full, governments would

deficit is loosely defined as

the average deficit across

the business cycle, this would in effect mean raising

the acceptable floor for bud-

get deficits euro-zone gov-

ernments will be able to run

Not surprisingly, Mr Mon-

ti's ideas have been warmly

received by Europe's social-

ist finance ministers, includ-

ing Oskar Lafontaine of Gor-

many, France's Dominique

Strauss-Kahn, and most

recently, Carlo Azeglio

Ciampi of Italy - the country at which, more than any

Mr Monti does not suggest

from 0 per cent.

per cent ceiling in the next downcycle and risk being fined. Such a risk would be much reduced under a golden rule policy. The new European Central

ments would exceed the 3

Bank is concerned about austerity fatigue and could respond to any loosening of the stability pact - and therefore of fiscal policy in relatively tight monetary policy. While the ECB will not be able to raise interest rates because of the international situation, it may be discouraged from cutting interest rates further. The consequence of this

policy mix could be a relatively strong currency and a falling current account sur-

# New euro payments system

By George Graham,

system went live yesterday. when the Euro Banking Association switched its system for settling Ecus over to a new network designed to handle 40 per cent of cross border euro payments.

Until January 4, the EBA system will still be settling he Ecu currency basket. averaging about 7,000 payments worth Ecu50bn Ecu60bn (\$58bn-\$69bn) a day. to handle around 200,000 payments a day, and has been tested at volumes of up to 60,000 payments an hour.

The main systems change still to be made before the launch of the euro next year s to alter the currency code in the EBA's electronic messages from XEU for the ecu

to EUR for the euro. While banks are expected to send many of their high ralue payments through the Target payment system operated by the European Central Bank, the EBA network offers a cheaper alternative

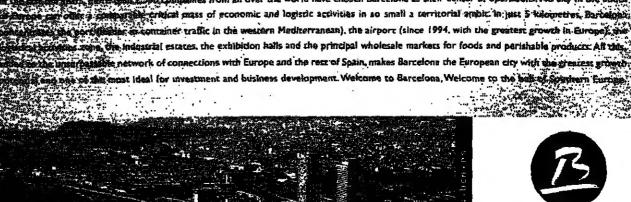
Target is a real-time gross settlement system, in which payments are simultaneously debited from the EBA, on the other band, is a net settlement system, in which member banks tot up their payments through the course of the day and settle their net balance.

This is generally cheaper bank to put up so much cash



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products throughout Europe, America and much of the world. We chose well.77





The US and Japan set aside their differences on trade last night to launch a joint finance and debt restructuring initiative which will raise at least \$10bn to help kickstart Asia's struggling private sector and lead the way out of economic

But the move, which had been widely flagged as a leading contribution to the Asia-Pacific summit in Kuala Lumpur, seemed likely to misfire when it turned out the plan was in extra money from both embryonic, with virtually none of the details sector to recapitalise the agreed between the two countries.

Senior officials from Washington and Tokyo had difficulty totting up the likely figures involved, though they said the US would con- attend. tribute \$3bp in extra export

Japan will also contribute \$3bn to a \$5bn growth and recovery fund set up with the help of the World Bank and Asian Development Bank (ADB).

The sum is on top of the \$30bn initiative announced last month by Kiichi Miyazawa, Japanese finance min-

The two countries said they would host a meeting in Tokyo shortly to flesh out the details of the initiative. The strategy aims to draw

governments and the private region's banks and support corporate-sector debt rescheduling. Other governments as well

as multilateral development banks would be invited to

"This is not going to be a revolutionary 'big bang' solution," said a senior US the core of recovery in the have to be elaborated.

kets had stabilised and the restructuring. afflicted countries had managed to rebuild their foreign exchange reserves, they still faced recession and badly needed private-sector economic activity to be

Though the US and Japan had differed over the launch of rescue funds in the past, and ADB should work both now saw eye to eye on this point. "We would like to do something new in the remaining obstacles to current situation," said a restructuring. Japanese official.

set up to help mobilise "sig- uring, restructuring. This will provide new

incentives to speed the pace It will also involve "inno-

quite sensible set of vative, cost-effective financ-proposals that go right to ing methods" which as yet

A main focus of the initia-While the currency mar- tive is to promote debt

Both countries believe failure to restructure privatesector debts is hampering resumption of growth, and are looking for ways debtors and creditors can be encouraged to take part in volumtary work-outs.

They said the World Bank closely with nations in the region in order to remove These may include legal or

An Asian Growth and administrative changes to Recovery Programme will be remove obstacles to restructstrengthened nificant private-sector finan- arbitration, or dispute cing" for countries which settlement procedures. have undergone economic accelerated implementation of disclosure requirements and stronger asset disposal



be tied to this framework, yesterday's APEC speech by US vice-president Al Gore bed

# Access to the funds would Mahathir Mohamad, Malaysla's prime-minister: unhappy at

# New Tokyo stimulus gets cold reception spending plans had limited had a limited impact.

By Gillian Tett and

The Japanese government's enhanced economic stimulus package, approved by the cabinet yesterday, received a lukewarm reception from markets and analysts.

The cabinet agreed to implement a package worth Y24,000bn (\$197bn) in new spending and tax cuts, or more than 4 per cent of gross domestic product, in yet another attempt to pull the economy out of its worst

It will include at least Y17,000bn of pump-priming grow in fiscal 1999."

Y6,000bn of additional corporate and income tax cuts. over the next year, the ruling Liberal Democratic party said. It also contains the controversial Y700bn scheme to give "shopping vouchers" to

This leaves the planned package even bigger than the LDP's "draft" package, unveiled last week and initially totalled around Y18,000bn. Taichi Sakaiya, head of the Economic Planning Agency, said: "Given such a huge, bold package the economy cannot fail to The expansion of the packages over the last year

impact on the markets. The Nikkei 225, the key stock

market indicator, closed 1.12 per cent higher, at 14,428.27. Economists warned even the Y24,000bn package might still not be sufficient to deliver a sustainable recovery. Peter Morgan, economist at HSBC Securities, said: "We are in this curious situation where the numbers keep getting bigger and bigger but there is less and less impact on the economy." The reaction partly reflected disappointment about the

vagueness of the package

and the fact that similar

The Y24,000bn includes, for example, Y8,100bn spending on new public infrastructure, and a further Y5,900bn additional loans to the corporate sector to ease the current credit squeeze. Another Y6,000bn has been earmarked to cut the top rate of income tax from 65 per cent to 50 per cent, and corporate tax from 46 per cent to 40 per cent early next year.

ernment's growth projections were far too optimistic. "Most of this is just smoke The LDP also promised and mirrors. It will boost several billion yen worth of GDP by 1.5 per cent at other "policy-directed" tax most," said Russell Jones, such as incentives to economist at Lehman raise housing investment, and Y1,000bn worth of measures to create 1m jobs. Mr Observer, Page 17

domestic product by 2.3 per

The LDP did not offer new

cent in the next fiscal year.

income tax cuts to poorer

households, or offer to freeze

the 5 per cent consumption

tax, as some opposition

groups are demanding. Some

economists insisted the gov-

# Beijing orders reshuffle of senior finance officials cool growth hopes

By James Harding in Shanghai

The Chinese government is reshuffling some of its senior financial personnel as part of Beijing's efforts to rationalise and re-centralise control of the financial services

Wu Xiaoling, director-general of the State Administration of Foreign Exchange (Safe), who has overseen the tightening of forex controls this year, is being moved from Beijing to become president of the Shanghai branch of the People's Bank of bank.

for the promotion of Li Fux- cal meddling in the prov-

tration in charge of China's \$140bn foreign currency reserves and enforcement of foreign exchange rules.

Ms Wu's appointment will be formally announced tomorrow, when the PBOC's Shanghal branch becomes the first regional office of the newly restructured central bank. The PBOC is replacing its provincial offices with some nine branches covering large regions of China, along the lines of the US Federal

The reorganisation of the Her departure makes way eliminate some of the politi-

financial corruption and

Beijing's concern about the financial system's health is understood to be behind the decision to transfer Ms Wu from Beijing to Shanghai, China's commercial cen-

Ms Wu will take over from Mao Yingliang. The new Shanghai regional branch will oversee Shanghai and the coastal provinces of Zhejiang and Fujian to the

At the State Administracentral bank is intended to Mr Li is expected to continue China (PBOC), the central re-assert the authority of the the government's efforts to months. Officials have 2001" head office in Beijing and crack down on the illegal insisted the politically sensilang, Safe's deputy director- inces that has made it get of more than 20 regula- Asian economic crisis, weak distribution centre in east- Philippines territorial general, to head the adminis- harder for officials to expose tions since mid-September. domestic demand and indus- ern Anhul Province.

# Economist seeks to

By James Harding in Shanghai

One of China's best-known economists has sought to introduce a note of realism into what many people now feel is an unrealistic growth target of 8 per cent this year. warning it could encourage false reporting and reignite inflation

The comments in the People's Daily, the Communist party's official newspaper, suggest Beijing may be seeking to lower growth expectations this year.

China's economic data tion of Foreign Exchange, have been the subject of growing scepticism in recent foreign aschange transactive 8 per cent target is spectacular case of false installations elsewhere in tions that have been the tar- attainable, even though the reporting, involving a grain

trial over-supply have produced a year of deflation, little growth in electricity consumption and low freight Liu Guoguang, a special

adviser at the Chinese Acadsmy of Social Sciences, said China "should not put undue stress on the 8 per cent growth target". Fourth-quarter growth this year would have to exceed 10 per cent to achieve it; that would be "difficult, but not impossible". He also cautioned that the pressure to hit 8 per cent growth could encourage an investment surge, resulting in "overheating in 2000 and

# Manila in **Spratlys** talks

in Koala Lumpur

The Philippines and China are exploring a possible arrangement to share the use of facilities being built by China on Mischief Reef in the Spratly islands as part of a plan to defuse tensions in the South China Sea archipelago, said Domingo Siazon, Manila's foreign minister.

The Philippines last week complained to China about the construction of concrets piers on the reef, which is only 130 nautical miles away from its coast. Mr Siazon said he feared the work might turn into the development of a landing strip extending into the shallow waters of the reef, but China said it was replacing a temporary fishermen's shelter.

Agreement to discuss the facility's possible joint use came in a meeting between Mr Siazon and Tang Jiax-uan, his Chinese counter-part, in the sidelines of the Asia-pacific summit in Kuala

Sovereignty over all or part of the archipelago is claimed by six governments: Vietnam, Taiwan, Malaysia, China, the Philippines and Brunei. All but the lastnamed have a military presence in the area, often using naval vessels masquerading as civilian ships.

Mr Siazon said China China last week reported a tion it should move its the archipelago, outside the

INDONESIAN POLITICAL CRISIS

# Habibie shrugs off calls to quit and heads for Apec ...

B.J. Habibie, the Indonesian president, defied protests and precedents and pressed ahead yesterday with plans to attend the Apec summit in Kuala Lumpur today, despite growing calls for the resignation of his military chief and. increasingly, of himself.

Ali Alatas, foreign minister, said Mr Habible would attend the Asia Pacific Economic Co-operation forum meeting for one day, despite concern that last week's protests and riots could lead to further unrest this week. Former president Suharto went to a summit in Egypt in May, only to return to a burning capital and a government unwilling to support him any longer. Like Mr Suharto, Mr Habibie is keen to show he is confident enough of his power to go He ignored calls from student protesters and a range of

opposition groups to sack General Wiranto, chief of the armed forces, who is accused of provoking last week's armed forces, who is accounted civilians and allowing regular violence by sending in armed civilians and allowing regular troops to shoot and kill at least eight students. Yesterday, and the students are shoot and the sending and the students in lakerts and was peaceful, with only small protests in Jakarta and some larger railies in other cities, but students are expected to resume larger railies after today's Islamic holiday.

Mr Habibie yesterday formalised a recent offer to resign shortly after general elections, scheduled for May or June next year, rather than in December 1999 as planned. But the president has also detained 11 political activists in recent days. Ten were accused of political subversion yesterday. Sander Thoenes, Jakarta

#### SOUTH KOREAN ECONOMY

#### **Growth outlook worsens**

South Korea yesterday said it hoped for economic growth next year but admitted the timing and strength of any recovery would "depend critically on improvements in domestic confidence and the external environment", according to its latest quarterly letter of intent with the international Monetary Fund. The finance ministry had earlier estimated gross domestic product would shrink by per cent in 1998 and grow by 1-2 per cent in 1999. Yes terday's letter offered no 1999 growth target. Seoul plans to stimulate the economy through easing monetary and fiscal policy, but analysts believe growth next year would largely depend on a recovery in Asian export markets and improved consumer confidence, hurt by rising unemployment and wage cuts.

South Korea predicted its current account surplus need

year would fall to \$20bn, or 7 per cent of GDP, from \$37bn in 1998 due to a rise in imports after a sharp fall. this year. Foreign reserves reached a record \$45bn by the end of October and are expected to rise moderately in 1999. Seoul promised the IMF to take a tougher stance on restructuring of big conglomerates, or chaebol, by impos-ing credit restrictions. John Burton, Seoul

#### HONG KONG ECONOMY

### Jobless rate hits 5.3%

Hong Kong's jobless rate hit 5.3 per cent in the three months to October, the highest level since records better in 1981, and the government warned the relatively higherests were unlikely to fall soon.

Until the economy began to move into recession this year, the unemployment rate was around 2 per cent. The total has risen rapidly and includes most sectors - from construction to financial services, retail to manufacturing. The rate briefly stabilised at 5 per cent for the three month periods to August and September. Private sector economists forecast unemployment would grow to 7 or 8 per

cent during next year.

Companies rejuctant to cut their staff have been opting to trim wages instead, and this trend is set to continue despite a decision by Hongkong Telecom, one of the territory's biggest employers, to scrap its plans for an across-the-board 10 per cent wage cut. The deal should appease Hongkong Telecom's 13,500 workforce but is likely to cause dissent within the business community, where there have been calls to make pay cuts - or at least pay freezes - standard. Louise Lucas, Hong Kong Nikko closes securities operations, Page 24

#### IONIAN @ FINANCE ABN-AMRO Bank

INVITATION
FOR EXPRESSIONS OF INTEREST IN PURCHASING AN ANTIBIOTICS PRODUCTION PLANT OF THE INSTITUTE OF PHARMACEUTICAL RESEARCH AND TECHNOLOGY (IPRT)

 the provisions of Law 200091 "For denationalisation and simplifying liquidation procedures, promoting the rules of competition and other provisions", and the decision of the International Denationalisation Cos 29921997;

it is betreby automated that the Institute of Pharmacouts, al Research and Technology (IPRT) (the Seller ) intends to sell its Antibotics Production Plans, smarted in Ages, Secfators in the city of Patters. For this end, IPRT has opposited ABN AMRO Rank N.V. and ROMAN FINANCE S.A. (the "Advisors") as its Short description of the Antiblodes Production Plans

The Plant was built for the purpose of producing periodlin and cephalosporin based drags in the form of dry ingerabiles, dry surps and capsules. It is situated in the Individual Sector on the city of Paires or on ones, of 19,672.7 squit. The Plant's construction started in 1988 and, following its completion and test run in 1991, was never put to use, although it has been maintained in good condition. The Seller has stated that all the Good Manufacturing Practices were adhered to during the Plant's design and construction phases. Non binding Expression of interest and short list

Interested an exters are hereby invited to express their non-backing interest in purchasing the Antibertus. Production Plant in Ages, Stefanos in the city of Parties, whentung.

a beef description of their full range of activities, financial statements for the past 3 years. interested parties may also make notes of additional data they may require and raise any questions which, to their opinion, could inflicance the content of their

Expressions of interest should be written in Greek or English and must be subtained by 14:80 has on 39/11/1998 at the latest, at the offices of the advisors as follows:

ABNAMRO Bank N.V. 30, Thisses Arenic 176 75 Kallithea, Athens, Greece Atta, Mr Authony Halders Tel: (301) 9397 127, Fax: (301) 9405 328 IONIAN FINANCE S.A. 15, Valuoritou Str., 106 71, Athens, Greece Atm: Mr leanns Chalkidis Tel: (301) 3622911/21,

Expressions of interest submitted after the date and time specified above will be During the expressions of interest period, interested investors can recove from the Advisors an Information note that will include a brief description of the Antibiotass Production Plant.

Following the Expressions of interest, investors will be invited to sign. Confidentiality Agriculture prior to receiving an Information Memorandum in Greek that will include the terms and conditions of the sale of the Ambiotic

A public Amountement for the submission of bushing offers will follow which will include the enteria for the selection of the best offer and further procedure. The IPRT reserves the right to terminate the procedure, should it consider the

bunding offers as being not acceptable. For further details, interested investors can contact the Advisors. This interfessment has been approved for the propose of Section 5° of the Financial Service.

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Tuesday December 8

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or Alec Kitroeff in Athens Tel: +30 1 671 3815

No FT, no comment.

Fax: +30 1 674 9372 email: aleckit@otenet.gr **FINANCIAL TIMES** 

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and a average equity market yield. All figures are percentages. UNITED STATES JAPAN GERMANY

	Macross Money (MT)	Broad Money (MS)	Short. Interest Peta	Long Intervet Rate	Espeity Maries Yeak	Maryon Mariegr (Mr)	Broad Money philes (COs)	Short Interest Rote	Long Interest Page	Equity (Euriset Yieks	Harrow Money (941)	Brood Mosey (MS)	Short Interest Forte	Long Interest Ratio	Equity May had Yield
1966	4.2	5.4	7.85	8.84	3.61	8.4	10,4	4.43	4.77	0.54	9.7	6.4	4.34	6,46	2.61
1989	1.0	4.2	8.99	8.50	3.43	4.1	10.6	5.37	5.16	0.48	6.3	5.7	7.12	6.90	2.22
1990	3.6	5.5	8.06	8.55	3.60	2.6	8.5	7.62	6.90	0.65	4.5	4.5	8.48	8.66	
1991	6.0	3.7	5.87	7.86	3.21	5.2	2.0	7.21	6.40	0.75	5.1	5.6	9.25		2.11
1992	12.5	1.9	3.75	7.00	2.95	4.5	-0.4	3.78	5.24	1,00	7.0	8.1	9.52	8.42	2.39
1993	11.8	1.1	3.22	5.86	2.78	3.0	1.4	2.95	4.18	0.87	9.4	7.8		7.60	2.45
1994	6.2	1.4	4.67	7.08	2.86	5.4	2.9	2.23	4.20	0.78	9.6	9.0	7.28 5.36	8,47	2.11
1995	-0.2	2.1	5.83	6.57	2.61	8.2	3.2	1.22	3.39	0.88	3.7	0.6	4.53	9.86	1.77
1996	-3.2	4.9	5.41	6.43	2.15	13.7	3.1	0.58	3.03	0.75	10.4	7,5		6.82	2.00
1997	-3.3	4.9	5.59	6.34	1.73	8.8	3.9	0.59	2.19	0.87	8.4	6.2	3.31	6.21	1.81
4th ctr.1997	-1.2	5.7	5.63	5.90	1.60		_					0.2	3.32	5.65	1.45
1st ctr.1998	-0.1	8.5	5.47	5.60	1,51	8.8	3.8	0.66	1.94	0.96	5.5	4.7	3.68	5,48	1.42
2nd atr.1998	1.1	7.2	5.50	5.59	1.42	9.5	4.5	0.94	1.88	0.97	5.1	3.6	3.54	5.01	1.32
3rd qtr.1996	0.4	7.5	5.45	5.19	1.47	7,9	3.4	0.64	1.63	0.99	6.3	4.0	3.61	4.89	1.22
_					_	7.9	3.9	0.68	1.39	1.03	6.0	4,2	3.51	4,39	1.25
Movember	-1.1	5.8	5.84	5.86	1.61	8,9	3.2	0.56	1.74	0.98	6,2	40	6.74		
December	-0.6	5.8	5.71	5.80	1.58	8.9	3.8	0.87	1.71	1.00	3.7	4.6	3.74	5.56	1,48
January 1998	-0.7	6.0	5.47	5.54	1,59	9.7	4.5	0.95	1.74	1.00	4.4	4.5	3,73	5.32	1.40
February	-6,2	6.5	5.48	5.61	1.51	10,3	5.0	1.04	1.78	0.95	5.3	3.5	3.57	5.12	1.38
March	0.6	6.6	5.48	5.64	1.44	8.6	4.5	0.84	1.62	0.96	5.5	3.4	3.51	4.99	1.51
April	1.2	7.1	5.48	5.63	1,41	8.1	3.6	0.71	1.62	0.98	7.2	4.0	3.52	4.90	1.28
May	1.3	7.3	5.51	5.66	1.42	8.0	3.9	0.62	1.37	0.99	5.6	4.0	3.63	4.90	1.24
Jone	. 0.9	7.3	5.51	5.49	1.42	7.4	3.4	0.60	1.28	7.01	6.1	3.7	3.63	4.96	1.23
July	0.6	7.3	5.60	5.45	1.37	8.1	3.5	0.74	1.42	0.95	5.0	4.3	3.56	4.80	1.18
August	-0.2	7.2	5.50	5.33	1.48	7.9	3.8	0.75	1.47	1.02	5.9	4.2	3.54	4.69	1,14
September	0.8	7.9	5.35	4.80	1.58	7.7	3.9	0.55	1.05	1.11	7.2	4.0	3.50	4.42	1.22
October	1.6	8.5	5.10	4.52	1.56			0.58	0.86	1.18	1.4	4.5	3.49	4.04	7.0
		_											3.57	4.03	
	FRANCE					ITALY					UNITED	CINEDO	VE		

Saptember October	1.6	7.9 8.5	5.35 5.10	4.80 4.52	1.58 1.56	7.7	3.9	0.55 0.58	1.05	1.11	7.2	4.5	3.50 3.49 3.57	4,42 4,04 4,03	122
	FRANC	E				ITALY					UNITED	KINGDO		4,00	
	Narros Microsy (M17)	Breed Showy (MS)	Short Interpet Rate	Long Interest Pate	Reputy Market York	Mercus Money (Mrt)	Brood Money B42	Ethors interest Rate	Long Externet Pade	Exploy Market York	Harry Manager	Brond	Short	Long	. Equity Market
1968	3.9	8,2	7.94	9.08	3,69	7.8	6.1	11.24	10.54	271	(10)	849	Rate	Rete	Y-14
1989	7.6	10.0	9.40	8.79	2.88	7.2	5.5	12.42	11.61	2.46	6.8	17.1	10.41	9.62	4.48
1990	3.8	9,3	10.32	9.92	3.19	9.2	7.0	11.98	11.87	2.84	5.9	17.4	13.96	10.11	4.36
1991	-4.7	2.3	9.82	9.03	3.56	7.3	5,9	11.83	13,20	3.45	5.3	15.9	14.82	11.58	5.07
1992	-0.3	5.4	10.36	8.57	3.55	6.9	3.1	13.86	13,29		2.4	7.9	11.58	10.08	4.97
1993	1.1	-3.0	8.55	6.75	3.21	4.7	28	10.22	11.23	3.63	2.4	5.1	9.74	9.09	4,91
1994	2.5	1,7	5.84	7.21	2.99	6.6	3.6	8.48		2.35	4.9	3.5	5,99	7,40	4.01
19 <del>9</del> 5	7.2	4.3	6,60	7.53	3.17	0.4	-1.8		10.56	1.67	6.4	5.1	5,57	8.01	3.94
1996	. 0.6	-3.5	3.94	6.32	3.05	1.0	-0.3	10,38	12.22	1.72	5.9	7.3	6.77	8.16	4.15
1997	5.4	1.6	3.48	5.56	2.58	8.8	9.5	8.75	9.43	2.19	6.7	10.0	6.11	7.79	4.08
			<del>-</del>				8.5	6.83	6.83	1.91	6.2	11.2	6.94	7.02	3.59
4th qtr.1997	6.4	1.7	3:65	5.49	2.48	8.1	10.4	6.35	6.02	1.69				7.02	
1st qtr.1998	9.4	4.3	3.58	.5.03	2.23	8.9	9.0	5.80	5.36	1.33	6.6	11.1	7.58	6.46	3.37
2nd otr.1998*	9.9	4.7	3580	4.95	1.98	13.3	10.2	5.11	5.16		8.8	10.3	7.55	6.02	3.05
3rd atr.1996.	8.4	48	3.58 3.80 3.55	4.52	2.18	10.4	8.5	4.91		1.23	6,1	9.6	7.57	5.80	2.85
November **			_	<del></del>				4.31	4.77	1.42	5.9	9.2	7.67	5.50	3.08
THEFT	8.9	0.7	3.89	5.58	2.57	7.6	10.2	8.44	6.14	1.74	0.0	-			_
December	6.4	1.7	3:69	5.33	2.44	7.7	9.7	6.01	5.74	1.66	6.8	10.6	7.65	6.59	3.47
Jacobary 1998	9.4 11.8	3.4	3.62	5.13	2.38	8.0	9.1	6.03	5.50		6.7	11.7	7,71	6.33	3.33
February	11.8	4.6	3.57	5.01	2.23	8.5	8.8	6.09	5,38	1.47	6.8	10.7	7.57	6.08	3,24
March	9.4.*	4.3	3.57	4.94	2.09	10.1	9.0	5.56		1.34	7.1	10.4	7.53	6.02	3.02
April	10.7	4.9	3.63	4.85	2.04	12.9	9.7		5.21	1.19	6.6	8.7	7.57	5.96	2.89
May	10,6	4,8	3.61	5.02	1.98			5.18	5.16	1.13	6.7	10.4	7.51	5.80	2.82
June	9.9	4.7	3.57	4.88		12.7	10.2	5.07	5.22	1.26	6.2	9.3	7.48		
July	8.9	4.8	3.56		1.93	14.2	10.6	5.10	5.10	1,31	5.4	9.0		5.84	2.84
August:	7.6	4.8		4.79	1.94	11,9	9.8	4.85	4.98	1.28	5.7		7.72	5.77	2.90
September .	8.4		3.56	4.54	2.18	9.6	8.6	4.93	4.80	1.36	6.1	9.9	7.80	5.84	2.
	. 0.4	4.8	3.54	4.22	2.44	9.6	7.2	4.98	4.53	1,61		8.7	7.74	5.54	3.10
October			3.55	4.19	2.61			4.49	4.49	1.89	5.9 5.4	9.0	7,47	5.10	3.29
										1,00	5.4		7.20	498	3.34

dage change over the contemporating period in the provious year, and are positive unless otherwise stated. All growth rates refer to the sea monotory statistics now form a confineous pen-German series. Monetary data supplied by Detastream and WEFA from central bank sources. day confinerable paper, Jupea — 3-mouth certificates of deposit, Germany — 3-month Fibor. France — 3-month Fibor. Tably — 3-month

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# US set to step back from confrontation

backing away from its threat of retaliation over the European Union's banana import regime came yesterday when Ecuador, one of Washing-ton's co-complainants at the World Trade Organisation, took the first step towards

Ecuador asked for WTO

criminated against Latin American producers. Trade officials said vesterday they expected the US to and the five Latin American join in any panel proceed countries that brought the ings to decide whether the original WTO complaint say EU's new arrangements comthe new system is as disreconvening the WTO panel ply with WTO rules. Bros-on the banana case. sals has already said it would agree to establishconsultations with the EU ment of a reconvened panel. disputed and it takes the on its new banana import. The EU has been given until WTO into uncharted legal

arrangements, introduced January 1 1999 to bring its waters. WTO rules say that quently said it would bypass may impose 100 per cent after WTO panel and appel-banana import regime, arguments over compliance the panel procedure and duties. Brussels has A sign that the US may be late body rulings that the which favours benanas from should be settled through apply to the WTO for permis-African, Carlbbean and the disputes system, if possision to retaliate once the Pacific (ACP) nations, into ble by reconvening the original January 1 deadline had line with international fair nal panel which would have passed. However, the pretrade rules. However, the US to report within 90 days. and the five Latin American countries that brought the panel last summer but this

> said it would have to wait criminatory as the old: until new licensing arrange-This is the first case in ments were agreed in Octo-

delays Washington subse- worth over \$1bn on which it

was refused by the EU which

vailing view of legal experts is that this would be illegal in the absence of a WTO ruling that the EU is still break-

ing the rules. Last week, the US government increased the tension by publishing a preliminary Frustrated by continuing list of imports from the EU impose compensating trade

responded by threatening a WTO case if sanctions an

Trade law experts say the US would not lose much time in opting for an expe dited panel procedure rather than acting outside WTO banana import scheme is judged illegal by a panel, the US would then be entitled to

INDIA

#### **NEWS DIGEST**

**CHINESE RAILWAY CONSTRUCTION** 

# Beijing opens industry to rise in foreign investment

China plans to open its railway industry to further foreign investment, counting on RMB10bn (\$1.2bn) worth of overseas funds for railway construction over the next five

Foreign companies offering advanced technology and managerial experience will be approved to set up wholly foreign-owned enterprises or Sino-foreign joint ventures. Total investment in railway construction over the next five years is expected to be around RMB350bn.

By the end of last year, roughly 4 per cent of foreign investment - or \$5.17bn - had gone into railway construction, according to a report in the China Economic Times. As part of China's efforts to upgrade infrastructure and improve transport of goods and people, Beijing has announced plans to boost spending on railway construc-tion to RMB45bn this year compared with RMB34.9bn in 1997. James Harding, Shanghai

#### THAI NEW VEHICLE SALES

#### First increase since crisis

New vehicles sales in Thailand during October showed their first year-on-year increase since the country's economic crisis began, figures released by Toyota indicated

A total of 12,805 new vehicles were sold in October, 0,2 per cent up on the same month a year earlier, and a 23,2 per cent rise from September figures.

Car sales in Thailand are a main indicator of economic health, consumer confidence and the financial strength of the non-bank financial sector which extends hire purchase loans. Government economists see the flattening out of vehicle sales as one indicator that the economy is bottom-

ing out.

New vehicle sales are still down 66 per cent year-onyear for the period January to October at 112,808 units. ssenger car sales continue to show weakness, dropping 29 per cent year-on-year in October. But strong sales of commercial vehicles and especially one-tonne pick-up trucks, up 16 per cent and 24 per cent respectively, helped push October's increase. Ted Bardacke, Bangkok

### INTEL EXPANSION

Chipmaker eyes eastern Europe

intel, the world's largest semiconductor manufacturer, is examining the long-term possibility of setting up a chip manufacturing facility, or "fab" in eastern Europe or the Baltic states.

The California-based group, whose microprocessors power most personal computers, already has chip-manufacturing operations in Ireland and Israel and generally prefers to expand existing facilities than build on new sites. But both the Ireland and Israel facilities have already been expanded - Intel's second "fab" in Ireland produces the latest generation of its Pentium II microprocessors.

As the North American and west European PC markets begin to mature, PC manufacturers and component makers are looking increasingly to regions such as eastern Europe, Latin America, India and China to grow more quickly. Paul Taylor, London

# WorldCom uses P&O's Indian harbour quirk in rules

MCI/WorldCom, the delivering the calls oversees. acquisitive US telecommuniexpense of profits by exploiting a quirk of US telecoms

It is charging its US cuseign destinations because, more traffic it sends overseas the more inbound calls it is entitled to deliver in the

Recent figures show the ness to take a loss on outbound traffic means it can AT&T and Sprint, in long cents to deliver. distance services.

cant market share. WorldCom's strategy to customers, emerges from the 1999 issue The most t

It shows that in 1997. Worldinternational calls. It col-

tomers for the calls, but paid foreign operators \$521.8m for

previous system unfairly dis-

However, it received cations group, is increasing \$135.3m from overseas carri-its market share at the ers for delivering their calls in the US, giving it net revemues of \$114m. By comparison, AT&T, the largest US It is charging its US custons distance carrier, tomers less than the cost of received \$8.1bm from its cusdelivering their calls to for- tomers and paid foreign operators \$3.7bn for deliveraccording to the rules, the ing their calls. It received \$1.3bn from foreign opera-tors giving it net revenues of \$5.63bn for the year.

US regulatory policy, how-ever, stipulates that US carcompany makes a substan-tial profit on its inbound incoming calls based on the business while its willing- proportion of US outgoing traffic they originate. World-Com charges foreign operasignificantly undercut its tors 31 cents a minute for competitors, including calls which cost it only a few WorldCom said yesterday

The strategy represents a that it would no longer sepasignificant departure from rate incoming and outgoing conventional telecoms prac- payment figures except for tice. WorldCom ends up with the purpose of making regulower overall profitability latery returns. The company than would be the case if it looked at its incoming and used conventional charging outgoing network costs as a methods, but gains signifi- whole and it was these costs on which it based its prices

The most recently quarof TeleGeography, an terty results for WorldCom authoritative US publication. and AT&T saw international revenues surge 52 per cent Com lost \$21.8m on outgoing for WorldCom while AT&T's long-distance business fell

# plans halted by protests

Nature, which has cam-

By Charles Batchelor, Transport Correspondent

P&O, the shipping and ports paigned against the project, group, has shelved plans to develop a £310m (\$510m) harbour on an ecologically sen- to multinationals that sitive coastline in India fol- investments which under- cargo with facilities to lowing protests by mine the principles of sus-

not be going ahead with the development at Vadhavan. 75 miles north of Bombay in the state of Maharashtra, because the local environdoubts about raising finance. people, WWF said.

said: "P&O's climbdown should send a strong signal mvironmentalista. tainable development will P&O Ports said it would not be tolerated."

destroyed one of the last sations and dockworkers in wildlife havens on the west coast of India and would have ruined the livelihoods nental protection authority of the fishing communities had vetoed it and because of and the indigenous Warli

would have been capable of handling 250m tonnes of receive oil, coal and cement, and a passenger terminal.

WWF said local fisherman. The port would have indigenous people's organi-Bombay had all campaigned

port providing eight berths

initially, but with capacity

"several hundred thousand dollars" in a feasibility study, said the port would

have ended transshipments of power station coal which was damaging the coast.

against the project.
P&O, which had invested

The project appears to have been halted after intervention by the independent protection authority

Polish defence contract dasa and bae offer air force upgrade

# Europeans counter US offer

World Wide Fund For struction of an all-weather

aerospace companies, backed by their governments, yesterday offered Poland a programme to upgrade military aircraft and train personnel. The joint bid is regarded as a counter offer to that made by the US to lease fighter aircraft to Poland in the run-up to its Nato entry next

parts and shortage of funds ish pilots to fly their Grip-military aircraft Poland for new aircraft. This means pen aircraft. This is the might buy as well as compopilots are unable to put in the flying time required by Nato for training. Morale was further hit last week Royal Air Force meanwhile, orders to survive. when two pilots flying a would provide Polish pilots training aircraft crashed.

The "European" proposal sees Daimler Benz Aerospace (Dasa) together with Russian partners offering to upgrade the 22 MIG 29s which Poland has to bring up to Nato standards in time for its entry. The Polish air force is At the same time, the Swed-

would provide Polish pilots The US offer is to lease with English language train-Poland F-16 fighters to fulfil ing and Nato flying experience in bases in the UK.

BAe are also hoping to sell or lease Hawk trainer craft to Poland. These would be assembled locally. The procomponents for any future tually opting to buy F-16s.

fighter which Saab and Brit- nents for other BAe products. Poland's defence indussell to Poland. Britain's try desperately needs new

Warsaw's Nato obligations. If Poland took up the US offer, its ground installations would have to be adapted and personnel trained to service the aircraft. The Euro gramme involves the local pean companies fear this manufacture of engines and would result in Poland even-

bedevilled by a lack of spare ish atriorce would allow Pollected \$500m from its US cus- by 3.7 per cent. "Engines have been my passion since I was a child. I looked at them, stened to them and dreamed of the day Men I would build oné completely different o all others. low that we have

reated the most innovative engine Hook at it and think that what made it possible wasn't ist the technology but so a little bit my dream.''

dd leader in engine technology capable of innovation and defining n With Cursor we have the first diesel with a variable geometry turbine beavy transport it's a new generation of engines that are light, qu





Nabible shrugs off

to quit and heads fork

Market Market William

# Gates denies concern over competition

Bill Gates, chief executive the importance of winning ular, Microsoft allegedly and founder of Microsoft, market share in internet attempted to distance him- software in an internal self and his company from the fierce competition over internet software with Net- dence was played on video scape Communications, a tape at the start of the fifth

court heard yesterday. government lawyers, Mr Gates disputed the meaning of internal e-mails from his senior executives and whether they represented company strategy towards

by competition with Netscape when he wrote about e-mail in 1996.

Mr Gates' pre-recorded eviweek of the Microsoft in combative and often monopoly trial. Mr Gates ment lawvers at Microsoft's headquarters this summer, but has not been called to appear in court as a witness. The US justice department and 20 states accuse the

computer industry in order to crush its rivals. In particsought to force Netscane out of the market for internet browsers, which allow computer users to read pages on the world wide web.

In his video-taped deposition. Mr Gates appeared keen to deny that browsers evasive exchanges with US was interviewed by govern-represented a different software market from other e-mail reference by a senior executive to fighting a "iihad" over browsers.

market, saying: "Winning Internet browser share is a The issue goes to the heart very, very important goal for us." Mr Gates denied the world's biggest software of whether Microsoft vio-

extending its monopoly in competing with Netscape. nered with Microsoft, no Windows - the operating Asked if he was concerned Netscape, because Mr Gates software which drives more by other browser companies, than 90 per cent of the he said: "I don't know what world's computers - into the you mean 'concerned'."

In another e-mail less than two weeks later, Mr Gates was determined to prevent Neiscape from winning America Online (AOL), the largest internet service company in the world, as a customer. "We need to look carefully at any significant opportunity to gain share vs Netscape, and think carefully before AOL goes off and partners with Netscape," he wrote.

AOL has already testified in court that it finally partoffered it a prominent position within Windows, and offered to pay marketing costs worth "tens of millions of dollars".

On video, Mr Gates rejected the suggestion in an e-mail from Paul Maritz, Microsoft's senior strategist that winning browser market share was the company's "number one goal"

"He doesn't set the company-wide goals," Mr Gates said. "I remember that we agreed that it was an important goal. I'm not sure which one of us reached that feeling before the other."

# US interest rate cut is less of a certainty

Members of the US Federal open market committee meet today in rather different economic circumstances last gathered at the end of September.

Seven weeks ago, the turmoil in international financial markets was at its peak; stock markets were tumbling, currency rates were see sawing, and strange and in credit markets.

The Fed responded, not only by cutting the Fed funds target rate, its key short-term interest rate, by a quarter of 1 percentage point at that meeting, but by repeating the dosage two weeks later in a rare intermeeting move that pleased financial markets.

Subsequently, (Fed officials might say, consequently) the turmoil has disments has narrowed, it has quency distribution are not completely disappeared, back within striking disback within striking distance of their peaks of this

The dramatic widening of safe, liquid instruments, and riskier, illiquid assets, one of the most troubling features of the recent turmoil, is gradually being undone. And international markets have stabilised after positive developments in Japan, Brazil and elsewhere.

Now that conditions have improved so dramatically. will the Fed go back to policy auto-pilot and leave rates on hold at today's meeting? Not necessarily.

Two concerns linger among policymakers. First, there are continuing fears that, for all the gradual loosening of the ligatures on domestic financial markets in the last month, things have not quite returned to normal and investors remain nervous about international

Secondly, whatever happens in credit markets, several of the Fed's leading policymakers believe that the much feared, but as vet elusive broader US economic slowdown, may now genuinely be around the corner. Financial markets cer-

tainly look in better shape than they did a few weeks

Alan Greenspan's Words, "disengaging" from markets. Reserve's policy-making avoiding anything risky, and opting for safety and liquidity, has eased. With the recovery in stock prices, borfrom those in which they rowers and lenders are meeting again on a much more equal footing in financial

Mickey Levy, chief economist at Nations Bank in New York, says new issues of securities by his company have soared in the last three weeks, and are expected to continue to be buoyant for the rest of the year.

"Markets are still fragile but they are clearly repairing after the damage earlier this year," he says. "Given that financial markets were the Fed's concern, I don't think they should cut rates now," he adds.

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But while the difference between the yield on risky assets and riskless instrustill be wary of declaring an end to the crisis.

Yet even if financial condispreads between relatively tions no longer warrant the kind of aggressive easing that seemed imminent just a few weeks ago, some economists believe the broader economic picture justifles a further interest rate cut. For more than two years

the US economy has defied all expectations and continued to grow at an unusually strong pace - almost 4 per cent a year. Once again economists are forecasting a sharp slowdown for the next

Personal savings in the UN are now negative; a factor likely to slow consumption growth. Meanwhile, business investment, the other big contributor to growth in the last few years, is also likely to slow as profits are

Whatever happens today, one thing has clearly changed. The widely expected, sustained and aggressive easing by the Fed, so confidently forecast just all few weeks ago, is now no longer a certainty. If Mr Greenspan and his coileagues do move today, they are likely to want much clearer evidence of a slowdown over the next few weeks before they cut again.

On the web today

RWE Group

Consolidated

1st Quarter 1998/99

net income without

minority interests

■ Letter from Los Angeles ■ Cost of mutual fund investment falls . Bank of Canada lowers forecast ■ Investment in Trinidad ■ Equador nears IME deal http://www.ft.com/americas

period

+ 54.5

386 million

# Pinochet's detention continues to expose fault lines in Chile's society

Attitudes to the former dictator are defined orates, if he goes to jail, then by age and class, writes Imogen Mark

through Las Condes. Santiago's rich neighbourhood, with a large Chilenn flag and a portrait of 'mn general" at the weekend raised a chorus of cheers and friendly hooting from the "Mi general." Chile's former dictator Gen Augusto

Pinochet, meanwhile languishes in a London clinic. vaiting to hear whether the House of Lords. Britain's highest legal authority, accepts his claim to diplomatic immunity as a former it it does not, he faces

extradition to Spain for questioning about his role in the torture and murder of his political opponents during his years in power.

But while his supporters have taken to the streets, at least in their strongholds in uptown Santiago, to protest against his detention, his opponents express their views more discreetly. They

lone van driving years of his dictatorship, and the habit dies hard, even after nearly nine years of

> So the jubilation over his cautious code. At a social proposed a toast "To the 36 days!" - the number of days the general had by then spent in detention. Most of the 70 guests jumped up and

There is a fear of reprisals. The blacklists and political dismissals during the dictatorship are still a vivid memory, while the risk of physiseveral leftwing members of Congress, a well-known Spanish artist and other figures have received death threats and hate mail. The number of bomb threats has trebled, according to the police, although all have been hoaxes.

At a diplomatic reception last week a naval officer warned a leftwing journalist: their tongues during the 17 Pinochet, if his health deteri- subject, and we talk about

be deaths here."

One upper-class young woman says: "I don't talk parties, we all avoid the subject now. We say it's a bore, detention is expressed in a drag, there's nothing to say, but I feel if we talk I'm afraid of getting into a

Many of the pro-Pinochet demonstrators who have taken to the streets are teenagers from uptown private

"Most of my classmates just repeat what they've heard at home. Their parents tell them Pinochet saved us from communism, he saved the country, so they go and burn British and Spanish flags and shout outside the embassies just like going to shout for a football

Dut for a slightly older Bage group the detention has sparked off real debate and reflection. "For the first time politics has stopped being a taboo

breaks, we talk about the issues of justice, and what is possible," says Maricarmen. a 23-year-old architecture The hearing in the British House of Lords over the past

internet browser market.

Microsoft has now inte-

grated its browser with Win-

dows to create one seamless

product, which the company

says benefits consumers by

improving its core software.

January 1996 e-mail to his

executives, Mr Gates treated

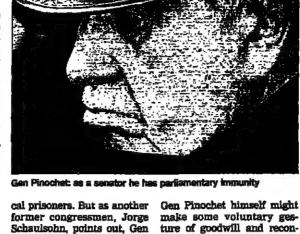
the browser as a separate

However, according to a

two weeks, and the airing in the foreign press of the evidence against Gen Pinochet has had a big impact for her generation, she thinks, "If they all say, outside [Chile]. that Pinochet was bad, then we know he must have been. And not even his own people, not even his lawyers, say he's innocent, that none of these things happened." An even older age group -

the 40 and 50 year-olds who lived through the leftwing Popular Unity government of Salvador Allende and then the dictatorship - are more ambivalent. Jaime Estévez, a former Socialist congressman, says: "I don't accept that Pinochet has diplomatic immunity. But I don't accept that Spain has the right to try him. He should be tried

There are a dozen cases outstanding against him for the "disappearance" of politi-



Schaulsohn, points out, Gen Pinochet has parliamentary immunity as a senator, and "if a judge even tried to interrogate him, the army will shout, and that will be

Few Chileans think he will be brought to trial, or even interrogated by the Spanish judge who has brought the case. Most expect the British law lords to uphold an earlier court ruling, ensuring Gen Pinochet is released and back home within a couple Mr Estèvez speculates that

involved in the 'disappearances' to say where and when the prisoners died, and where their bodies were He admits, however, that such a gesture is unlikely nature".

"it's not in Pinochet's It remains to be seen whether the weeks in deten-

ciliation. "He could express

some remorse for the suffer-

ing he caused. And he could

instruct the army people

# Cuba edges towards Paris Club debt accord there appeared to be a have intensified following a halted payments on most of visit to Havana opened the Club solution to the debt. "I

fall in commodity export for its foreign debt, which earnings this year, has totals more than \$10bn. The stepped up consultations debt is an obstacle to the with its Paris Club creditors island's afforts to gain access as a positive development about the possibility of to development financing after more than a decade of

part of Cuba to seek solutions within the Paris Club

renewed willingness on the visit to France in September by Carlos Lage, the Cuban vice-president, during which he met Francis Mayer, the Paris Club chairman. The contacts were being viewed

Since September, the debt issue has been discussed by Juan Carlos of Spain. the Cubans with several visunblocking stalled debt and attract more foreign stalled relations between last week with the Spanish foreign minister. Abel Cuba and the Parts Club

Manuel Valencia, the

iting delegations from Paris Spanish foreign ministry's ways of moving consulta-Club nations, including director-general of interna-Japan and Britain. The lat- tional economic relations. est discussions took place who accompanied Mr group to focus on Cuba's Matutes, said he was encouraged by the Cuban's govern-The consultations seem to since 1986, when Havana Matutes, whose three day ment's interest in a Paris ted to meet next month.

way for a historic visit to think we are going to see Cuba next spring by King positive movement," he said. Paris Club officials were

understood to be studying tions forward. One way would be to set up an ad-hoc debt. Cuba and Paris Club

# RWE Group: good start into the new business year.

Report on the business development from July through September 1998

### Net income

In the first quarter of 1998/99, the Group's net income awarnout minority interests) intalled DM 306 million. This includes the profit from the sale of the uranium ore activities in the Mining and Raw Materials division. Adjusted net income grew by 10.1%. Higher electricity sales volume, increased sales of printing presses and wide-ranging costcutting measures across all the divisions contributed to the advance in net income. The charges from the telecommuni Net income up 10.1% after adjusting for income from disposals

 High sales volume growth in the energy division

 Printing press operations continue to advance strongly

cations division have increased owing to a higher share of o.tel.o in E-Plus and through higher losses in the wireline network.

### Net sales

The Group's external net sales benefited from a 2.5 % rise in foreign sales; the foreign share in the Group's net sales advanced from 21.6 % to 22.9 %. Owing to lower domestic sales, the Group's net sales were 3.5% down from the yearearlier level in the first three

months of the 1998/99 business year. This was due in particular to lower prices of crude oil and petroleum products, reduced power plant coal deliveries of LAUBAG and to the divestitures completed. Sales increased in the other divisions, especially in the printing press operations of Mechanical and Plant Engineering. Adjusted for the

effects of consolidation, net sales were down 4.3 % from the year-earlier level. The Group's internal growth in the first quarter was 1.6 % when adjusted for consolidation effects and the negative impact of prices in the Petroleum and Chemicals division.

### Capital expenditure

At DM 1201 million, the Group's capital expenditure, including acquisitions, was up 39.8% on the year-earlier level. This was due in particular to higher financial asset investments in our exploration projects and the establishment of the FUCHS DEA lubricants foint venture. Fixed assets increased, too, mainly as a result of restructuring the Heide refinery and owing to higher expenditure in the power plant sector.

#### External net sales 5132 + 1.4 Mining and Raw Materials 893 - 26.9 Petroleum and Chemicals 7430 - 10.3 **Environmental Services** + 10.9 Mechanical and Plant 2225 + 10.2 +70.8Construction and Civil Engineering + 50.0 Consolidated external net sales 17184 13471

# Workforce

In the period under review, the number of employees grew by 1.1% to 147 008. While the workforce declined slightly abroad, the number of employees in Germany rose by 1.5% to 116 286.

Essen, November 1998

The Board of Management

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Turning customer satisfaction into loyalty."

# Sting in comet's tail for 500 satellites

By Clive Cookson Science Editor, in London

The operators of more than 500 satellites in orbit around the Earth are taking precautions, wherever possible, to protect them against what scientists warn may be the strongest meteor storm since

Late this evening and Earth will pass through the dusty tail of an obscure comet called Tempel-Tuttle. Tiny particles, most of them smaller than grains of sand, will hit the upper atmo-

of sound.

The result, for viewers well placed on the ground, will be a spectacular display of shooting stars. But the sand-blasting could disable or destroy satellites.

The Leonid meteors - so called because they appear to emerge from within the constellation Leo - will presearly tomorrow morning ent an "elevated" threat to spacecraft for about 12 cial risk assessment by the US defence department and the space agency Nasa. William Ailor, a satellite

Aerospace Corporation, says spacecraft are unlikely to be shot through with big holes, but "impacts of small particles will create an electrically charged plasma which can induce electrical shorts and failures in sensitive electronic components." The European Space Agency lost

its Olympus communications satellite in this way to a stray meteor strike in 1993. At the time of the last Leonid meteor storm in 1966 there were just a few primitive satellites in orbit. Now there are 500 to 600, ranging commercial communications

In many cases the satellite operators can reduce the risk, by turning the spacecraft so that the most vulnerable parts face away from the oncoming meteors and by switching off high-voltage

remain on active duty, transcomputer data. If the Leonid cosmonauts, Gennady Padbombardment is more alka and Sergei Avdeyev, on intense than astronomers board the Mir space station. are predicting, some interna-

sphere at 200 times the speed safety expert with the US from scientific missions to capacity could be lost men will shelter inside their Precise prediction of the Soyuz escape capsule. On the ground, conditions

strength and location of meteor showers is notorifor viewing shooting stars ously difficult. "If this are expected to be best in reaches 150,000 particles per east Asia and Japan, hour there will be all sorts of between midnight and 5am difficulty, but there may be local time. Many astronoonly 1,800 per hour," said mers from the US and Tony McDonnell of the space Europe have gone there to sciences unit at the Univerobserve what they hope will sity of Kent in England. be a spectacular show.

The two most vulnerable individuals are the Russian make the trip. Japan's National Astronomical Observatory is promising to broadcast live on the During the predicted peak of internet from several

# Jewish settlers face up to life after Wye pact

By Judy Dompsey recently to Adora, West Bank

Ronit Orfige believes she is fulfilling God's will by living in Adora, a small, isolated Jewish settlement perched on a steep hill south-west of

To give it up now, she insisted, would mean defeat for Israel. "I do not believe in any exchange of land for peace," she said.

But in the coming weeks, land around Adora will be handed over to Palestinian civilian control as part of the Wye accord signed last month between Benjamin Netanyahu, Israeli prime minister, and Yassir Arafat, president of the Palestinian

Authority.
Although Mr Netanyahu has pledged not to dismantle any of the 141 West Bank settlements, Adora residents believe they could be vulnerable once, as Mrs Orfige put it, "the local Palestinians get taste of power".

For this reason, the 73 families in Adora who first moved to this secular settlement 14 years ago are reconsidering their security needs some, their future.

First they want the bypass linking them to the Jerusalem main road widened so that land either side will remain under full Israeli

control.

stretch of land, measuring 150 metres wide on each side of the road that will give us more protection," said Yitzhak Benizri, Adora's head of security, "This would allow Israeli troops to move unhindered. And the settlement would not be completely surrounded by Palestinian-controlled areas.'

After last week's cabinet decision to ratify the Wye accord, Mr Netanyahu said 11 bypass roads would be built or expanded over the coming three months at an estimated cost of \$500m. Some of the money, said

government officials, would be used to compensate Palestinian landowners whose



land would be expropriated for those roads. But the military is already wary of building roads that will cut into Palestinian farm land.

One officer feared it would spark unrest among Palestinians whose land and villages are already separated from each other by settlements and bypass roads.

Palestinian farmers are concerned for other reasons as well, fearing some of the more radical settlers will defend the settlements even more aggressively.

In Adora there is a debate about improving security, with calls for electronic surveillance and fencing.

Some Adora residents balk at the idea of having to live in a kind of ghetto. But they () dismissed suggestions that achieving peace might be "The plan is to have a long made easier if stolen land was returned to the Palestin-

> Mrs Orfige insisted it was not stolen land. "We are simply reclaiming land for the Jewish people, as stated in the Bible," she argued. The thought that Palestinians might one day establish a state alongside the settlement angered her.

Yet in the cold light of the Wye accord, Mrs Orfige and her colleagues are reflecting more soberly about the

"To tell you the truth, you have to give up something for peace," said Mr Benizri, 52, who believes a Palestin-

# Annan's fixer pulled Saddam back from brink of conflict

Roula Khalaf reports from Baghdad on the last-minute manoeuvres that led to the Iraqi climbdown

last weekend, one man was frantically working in Baghdad to avert it. Charged with a US military attack. a mission that carries enor-Prakash Shah, the special representative of the United Nations secretary general in Baghdad, was at the centre of diplomatic efforts which resulted in an Iraqi decision to resume co-operation with UN weapons inspectors.

During last week, Mr Shah was speaking to Kofi Annan, the secretary general, three times a day, and held four separate meetings with top Iraqi officials, including Tariq Aziz, the deputy prime minister, in search of a way out of the crisis. His presence in Baghdad and contacts were essential because the secretary general could not appear to be too personally involved. Nor could be travel to Baghdad without a direct request by the UN security council, and the US and UK were opposed to

Since Iraq's decision had been so blatant a violation of security council resolutions,

based for a US mili-tred on providing Baghdad tary strike on Iraq with a face-saving formula that allowed it to claim it did not back down out of fear of

The idea of an appeal by mous risk and little glory. Mr Annan, who had negotiated the February agreement which averted an earlier military confrontation, came from the secretary general himself. But he and Mr Shah worked on it for several days, after which Mr Shah

> This shows that diplomacy can work if given a chance in

to the Iraqis to test their

resolving conflicts

Diplomats in Baghdad say Mr Annan finally decided to put it in a letter in spite of opposition from the US administration. The Iraqi reply was received by Mr A soft-spoken and affable Shah on Saturday afternoon, man, Mr Shah is experienced

hile the world was the diplomatic efforts cen-

to President Saddam Hussein on the basis of his conviction that Iraq should be allowed to join the commutions was a crucial factor, Mr Shah said yesterday. "We arrived at a peaceful

resolution of the crisis largely due to the close working relationship between the secretary general and the leaders of major powers such as the US, Russia and France. This shows that diplomacy can work if given a chance in resolving potential conflicts involving the use of force." Mr Shah, former repres

while US warplanes were on

The secretary general's

their way to strike Iraq.

tative of India at the UN, was called out of retirement in March to perform the most delicate diplomatic task: smoothing the stormy relationship between Unscom, the UN weapons inspectors commission, and the Iraqi government so that disputes could be solved locally and not allowed to spin out of control.

A soft-spoken and affable

ing negotiated the chemical weapons convention on behalf of India in 1991 and 1992. He is a compromiser by nature who is sensitive to the plight of the Iraqi population under sanctions.

Seen by Unscom as something of an irritant, he is valued by the Iraqis as the only man who can relay their views to Mr Annan, whom they trust. With Iraq accusing Unscom of deliberately prolonging its inspections to maintain sanctions on Iraq, and the inspectors accusing Iraq of persistently concealing information, Mr Shah crises from escalating several times in the past

Last June, for example, when Unscom asked to take samples of warhead fragments for testing in a US laboratory, the Iraqis balked, claiming the inspectors would deliberately let the testing drag on for months. Mr Shah's intervention led to an agreement allowing the samples to be sent out

but for the tests to be completed within one month. Although visibly relieved that the most difficult chapter so far has been resolved. Mr Shah may face even bigger challenges in the weeks ahead. Another Iraq crisis could erupt before he leaves his post at the end of December. Iraq wants the comprebensive review of sanctions agreed by the security coun-

> Mastering Global Business

sible but Mr Shah says many members of the UN security council want Iraqi commi ment to co-operate tested before the review.

begin in the next few days.

With the US still prepared to

act militarily, any hiccup

could still lead to air strikes. "The important thing is inspections and full Iraqi co-operation." says Mr Shah. "If Iraq co-operates fully in accordance with UN security council resolutions, then the council can proceed to conduct the promised comprehensive review, which signal for the future."

Editorial Comment, Page 17



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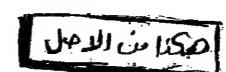
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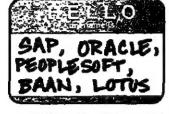
e-business isn't just about having a Web site. It's far beyond that e-business is about conducting huge amounts of electronic transactions between you, your customers, your suppliers - everyone. So the large enterprise server you bought a while back has become the best Web server available.

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Take Volvo, for example. They Web-enabled an S/390 to access corporate data, thereby integrating delivery schedules, as well as spare parts and technical information for dealers. The results are greatly improved customer service and higher profit.

The Web conversion happens at the software level and involves minimum hassle. In fact, you can create a secure, 24-hour front door to your business without needing to cobble together additional servers and software.

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The IBM \$/390 hums along with as more than five missies of planned or contained downtime. A year.

**24/7/365** isn't a locker combination. The hottest topics in computing today are scalability, security, and most of all, availability—issues that were once talked about primarity at the mainframe level.

Now server companies are claiming maintrame attributes for their UNIX\* and PC servers (in fact, chances are that at least one of your PC or UNIX servers is down right now). These distributed servers are not an S/390 enterprise server and never will be. Not alone, not clustered together. And in an e-business environment, deploying a clutch of servers that can't deliver 24 x 7 availability is like locking customers out of the store. Customers who can go to a competitor's site with two clicks of the mouse. However, with the latest generation of S/390 Parallel Sysplex\* technology, you are guaranteed the closest thing to continuous computing, with a design point of 99.999% availability.

As a Web server, it's capable of handling up to 400,000,000 hits or 20,000,000 transactions a day, or up to 50,000 users simultaneously.



A network based on multiple server san be open to multiple problem And enormous complexity equal enormous cost

Run a data mine, not a server farm. An infrastructure built on multiple servers can be open to multiple management problems. Just deploying a new major application requires a visit to each and every server. And in the environment of enterprise computing, it's a mathematical fact that enormous complexity equals enormous costs (no wonder Wachovia Bank N.A. chose to eliminate 90% of the office automation servers in their information services department through an S/390 consolidation).

With your S/390 only a single copy of a program needs to be changed on the server in order, for example, to improve the interface of your Web site, deploy a new ERP program or upgrade your e-mail capabilities.

Instead of putting critical business applications at the fingertips of the users who need them, PC, and even many UNIX servers, create Islands of information that can be nearly impossible to keep up-to-date.

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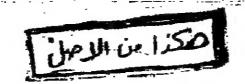
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These figures were achieved using \$7300's unique Parallel Sysplex clustering inclinatory "Source" Cost implications of Platform Choices Management Brief, 1997, IBM and noted BM product names are registered indomarks or trademarks of International Business Machines Corporation in the (U.S. and/or other countries. Lobes is a n



FINANCIAL TIMES TUESDAY NOVEMBER 17 1998

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# Blair says forecast may be optimistic

By Robert Peston, Political Editor

Thatcher.

on her government.

first prime minister for 18

years, wants to create a

directly-elected London

mayor and Mr Livingstone is

But in the past 12 years, the

Labour party has moved to

the right of the political

spectrum and Mr Living-

stone's leftwing views are as unpalatable to Mr Blair as

they were to Mrs Thatcher.

Mr Blatr is searching for

an official Labour candidate

for the mayoral election in

2000 which the Labour party

pledged to ask party mem-bers in London to write his

name onto the ballot paper if

The government is to drop

the name of its initiative on

lifelong learning, "Univer-

sity for Industry", after

advisers warned that it was

too narrow and elitist. Offi-

people who are out of work

or in small businesses,

thereby undermining the

government's drive to close

the skills gap with Britain's

en to stand for the post.

12

Tony Blair, the prime minister, last night conceded that the chancellor's economic growth forecast may insisted government spending plans would not be 2.75 per cent in the following revised. In his annual speech year. at the Lord Mayor's panguet

The rapid approach of a new political

power base in the capital is worrying

Tony Blair, says Deborah Hargreaves

to make less than a fortnight convey to the business and growth and consequent were nonsense. The chancel- as the government unveiled after Gordon Brown, chan-banking audience that the reduction in tax revenues for has pointed out that a £130m (£139m) emergency after Gordon Brown, chancellor of the exchequer. revised downward official growth forecasts in his recent pre-Budget statement to between 1 per cent and 1.5 be too optimistic, but per cent next year and between 2.25 per cent and

in the City of London, Mr from tradition by concentrat- stage of the cycle would be lic sector will borrow only Blair said the government ing on the domestic economy would "respond sensibly" if in the banquet address, the "economy is weaker which normally covers foreign affairs. His chief spokes-It was a striking statement man said it was important to edly sharp slowdown in the government's finances" culture industry yesterday

government would not be and increase in social secu- there is a £33bn (\$55bn) panicked into sudden rity spending, it would allow cumulative surplus of curchanges of economy policy.

Mr Blair tried to allay con- lisers to work", he said. cerns that his government's commitment to increase pubment, however, on whether lic spending significantly this would represent a deparover the coming three years ture from the so-called may be risky. "To cut back "golden rule", or the chan-Mr Blair was departing on public investment at this cellor's pledge that the pub- the headline writers but in folly," he said.

good thing if public borrow-

Wanted: charismatic figurehead for London

"the automatic fiscal stabi- rent spending over borrow-

Mr Blair made no com- years beginning next April. for investment purposes He indicated it would be a over the course of the cycle.

• Farmers were warned to However, he said predicbrace themselves for further ing rose with an unexpect- tions "about black holes in sweeping change to the agri-

ing for the five financial

"Steering a course of sta-

bility in an uncertain world"

was his message, he said. "It

may not be sexy enough for

my view stability is a sexy

aid package, Andrew Parker writes. Nick Brown, agricul ture minister, said planned reform of the EU Common Agricultural Policy must "reduce the burden CUIrently imposed by the CAP on consumers and taxpay-

Mr Brown has secured a one-off sum from the Treasury's contingency reserve to part cover the aid package. The rest of the money will come from the European

# Army to aid police against year 2000 'bomb' risk

Ry Simon Buckby, Social Affairs Correspondent

The army and police are gency plans to cope with a

t emerged yesterday. The army could provide air support and other help to move police from "hot spot to hot spot" if emergency services, hospitals, transport systems and other computer controlled networks collapse because their processing chips fail to recognise the

John Evans, chief constable of Devon and Cornwall and chairman of the Millennium Co-ordinating Committee for the Association of Chief Police Officers, confirmed that the military was involved in planning.

However, the Cabinet Office yesterday played down the significance of the army's involvement. A spokeswoman said discussions were taking place as part of regular liaison between the emergency service and the army.

Mr Evans said that, in a separate move to prepare for the millennium, leave was being cancelled for all police officers over the four-day extended New Year bank holiday to ensure forces

working together on continpossible emergency caused by the "millennium bomb",

year 2000.

"Discussions are going on up and down the country with top army officers," he said. "From there, individual forces are building their plans to see what military assistance they will be able to make use of in the event Suspicions of possible mili-

tary involvement in providing police back-up from December 31 1999 were raised after a memo was leaked earlier this month in which Donald Dewar, chief minister for Scotland, suggested that Territorial Army soldiers could be needed to help maintain

were up to strength.

Gwynneth Flower, manage ing director of Action 2000, the company set up by the government to urge businesses and services to defuse the bomb, suggested that up to half the country's employees would be called to work over the public holiday at the start of 2000, many to ensure that computer problems were solved.

NEWS DIGEST

NORTHERN IRELAND PEACE PROCESS

# Republic's police issues warning to Continuity IRA

Commissioner Pat Byrne, chief of the Garda Slochana (the Republic of Ireland police) warned yesterday that "the full " resources of the state" would be aimed at the Continuity IRA if it tried to disrupt the Northern Ireland peace process. The group is the only paramilitary organisation to reject the peace process and refuse to declare a ceasefire. Eight senior figures from Republican Sinn Fein, political wing of the Continuity IRA, have recently been held and questioned in the republic and released without charge.

policymaking executive in the republic at the weekend that political resistance to the peace agreement would continue. It also vowed to "continue to give leadership to nationally-minded people throughout Ireland". Mr Byrne said of the Continuity IRA: "If it is their intention - which I believe it is - to destablise the peace process, the resources of the state will be utilised against

Republican Sinn Féin declared after a meeting of its

them." But he was convinced that the mainstream IRA's ceasefire was holding.

Soldiers from the British army's 16 Regiment, Royal Artillery, left their base in Armagh, Northern Ireland, by helicopter yesterday at the start of the exit from the region of 400 troops. When they are gone, there will be about 15,000 British troops in Northern Ireland, the smallest number since 1970.

ANIMAL WELFARE

## Cosmetics testing to end

The government yesterday announced an end to the test-ing of cosmetic ingredients on animals in the UK. All British companies with testing permits have surrendered them voluntarily and no new licences will be issued, said Georga Howarth, the Home Office minister responsible for animal

The announcement, which follows a ban last year on animal testing of finished cosmetic products, was greeted with enthusiasm by some animal rights campaigners. Sir Paul McCartney, the former Beatle whose late wife Linda was a passionate campaigner, spoke of "great news for our civilisation and the animals". The vast majority of the 2.6m animal experiments carried out last year were for biological and medical research and pharmaceutical devel opment. The government made clear yesterday that it had no intention of banning these. Clive Cookson, London

#### MOBILE TELEPHONE LICENCES

#### Auction could see \$830m bids The UK government auction next year of licences for the

next generation of mobile phone services could attract bids of up to 2500m (\$830m) from companies anxious to share in a market expected to be worth £3.6bn by 2012. This is the chief conclusion of one of the first financial

analyses of the market for next-generation mobile services, known colloquially as UMTS (Universal Mobile Telecommunications System). UMTS will offer the combination of mobility and access to high-speed data. It will be possible for example, to deliver multimedia, including full motion video, to a handset no larger than today's mobile phones.

The study, from stockbroker Henderson Crosthwaite, points out that while four licences are to be awarded, the government is keen to see participation from companiand other than incumbents Vodatone, Celinet, One-2-One and Orange, or their parent companies. Alan Cane, London

#### CITY OF LONDON

### Rail link to open on 'euro day'

The Corporation of London, the municipal authority for the City, is to pay for the underground railway between Waterloo station and the City of London to open on January 1 so that bank staff can get to work to prepare their systems

for the launch of the euro. The Waterloo and City Line would normally have closed on January 1, but London Underground has agreed to open it after the corporation agreed to pay its costs, estimated at about £6,000 (\$9,960). Financial institutions have spent months preparing for the single currency, but they will learn the final conversion rates for the 11 national currencies to join the euro only in the afternoon of Decembe 31. Trading will resume in the new currency on Monday, January 4. The Corporation estimates that between 20,000 and 30,000 City staff will have to work over the conversion weekend; some consultants believe more than 50,000 people may be involved. George Graham, London

### CORRECTION

# **Templeton College, Oxford**

The analysis of overseas operations of multinational companies covered in the Financial Times yesterday was published by Templeton College, Oxford, and not by Oxford University. The report, Templeton Global Performance Index, is available from Templeton College, Oxford OX1 5NY, UK, for £85.

hen Ken Livingstone Livingstone would embar-led the Greater Lon-don Council, then one voted in as mayor. Conservaof the largest municipal tive party members are also authorities in the world, he concerned that their prospective candidate. Lord erected a banner across the front of the council's head- Archer, the controversial quarters on the south of the novelist, will embarrass River Thames. The banner them as details from his coldeclared the number of

ourful past are dredged up. William Hague, leader of Britain's unemployed. The banner was clearly visible the Conservative party, last from the Houses of Parlia- week ignored pressure from ment on the north side of some of his colleagues and the river, and was intended cleared the way for Lord by the Labour party's Mr Archer to stand. In a full page editorial last week. Livingstone as a barb against the Conservative London's Evening Standard government led by Margaret newspaper decried the lack of talent in the current She abolished the GLC and line-up for mayor declaring: with it the powerful position "We are in a mess over Lon-

of the leftwing Mr Livingdon's first mayor." stone. She said the move would simplify local adminis to see London represented by a charismatic, influential istration by handing over figurehead. Although the powers to the 32 boroughs that cover all of London new mayor will wield little except the City. But many direct power, he or she will believed she was taking have an enormous personal revenge for years of attacks mandate upon which to build a power base. Now Tony Blair, Labour's

The reason for this is that the mayoral election will be a direct vote by residents in the 32 boroughs - up to 5m

The mayoral election will therefore potentially attract more direct personal votes than any person in British with the numbers of votes cast for the presidents of Germany or France.

The mayor's powers will extend to transport, a new London development agency, the police and fire brigade olf Guillant's in New York. city mayors in Britain. is expected to win. Mr and strategic planning. But The mayor will also have to Livingstone last week unlike the old GLC, the new mayor will have no tax-raising power. He or she will health, education, social services and housing.

The name 'University for

industry' is a core problem if

the idea is to take off: it is

not memorable, it is mislead-

ing, and it is exclusive." He

said the government should

"take some risks and get rid

cials feared it could deter of the gravitas and go for lar trend in selling insurance

something unashamedly

The government's deci-

sion, coming just weeks after

ministers unveiled plans to

invest £40m (\$66m) in the Uff

populist".

John Field, of Warwick and to launch it in 2000,

University, who is the coun- points to a sense of growing

try's first professor of life- crisis at the heart of the gov-

the most wealthy parts of London." Lord Archer, the Conservative candidate for mayor, is better known as Jeffrey Archer, the author of such best-selling novels as Kane and Abel and First Among Equals. He recently wrote: "Yee, I have made a number of mistakes in my life." City is urged to 'keep leading the international pack'

Ken Livingstone defo set out part of his programme in May: "I would like to see a proper ability to tax

"We are not keeping up

with the pack," he said. "We

are leading it, and we must

But, he added, he faced

The City of London has become one of the UK's strongest brand names, Lord Levene, the incoming Lord Mayor, said last night, Alan Pike writes, it was recognised as the world's greatest international financial centre. political history on a par and was among the largest and most successful indus-

maintain that lead." the job of promoting the City "at a time of change the like of which we have never seen . . . We probably only

work with the new 25-strong London assembly. But a strong personality in mooted for the Labour pertime could define the may- line Green, leader of the

long isarning, welcomed the ernment's lifelong learning Air. A minister said the gov-prospect of a new name. policy. Ministers have ernment was anxious that

policy. Ministers have ordered the transition team.

Turville, to conduct some

market research to find an

pioneered by Direct Line and

conveying the idea of work

skills which are accessible at

name change would mirror

early uncertainty over the

image of the Open Univer-

sity, which was originally

alternative name.

have access to a budget run. That could set the tone Banks, sports minister, who about a fifth the size of Rud- for the future and for other also served on the GLC.

Livingstone are well known in London. Other candidates or's office and certainly the Labour MEPs in the Euro-

ernment was anxious that

the Uff did not become "just

The idea of a UfI, first

developed by Gordon Brown,

shadow minister, was to "do

for the workplace what the

Open University did for the

party wants to remove both

"university" and "industry".

A minister said the title "university" might put off

home". But now, in

highly educated".

headed by Lord Sainsbury of another academy for the

One idea is to call it Learn- the chancellor of the

ing Direct, echoing the popu- exchequer, when he was a

the touch of a button. The government, the Labour

labelled the University of the people who view such elite

The election may be 18 Jeffrey Archer and Mr months away, but Mr Living-ivingstone are well known stone and Lord Archer are campaigning already. Mr Blair needs to find a candi-

been lost we may never get

it back." The office of Lord

Mayor dates from medieval

times and covers only the

City of London, which is

home to many financial insti-

tutions and businesses. The

new mayor to be elected in

2000 will cover the rest of

also have no influence over the London job for the first ty's nomination include Pau- date quickly to capture the popular imagination of Londoners if he wants to derail

courses from bome.

'Elitist' name for skill scheme to be dropped

institutions as "not for them", while "industry" would be too narrowly focused on people in the workplace. In its new guise, the Uff, offering sub-degree courses via the internet, would be marketed to people

who required "upskilling" and who, having been made redundant, wanted to take The title Learning Direct is already used for the government's national learning helpline, and is next year to become the Uff's information and advice



HAT BROUGHT THEM TOGETHER? SUPERIOR PERFORMANCE. WHAT KEEPS THEM TOGETHER? THE BANK OF NEW YORK.

Along the historic hallways of Norwich Union, modern ways of doing business are the order of the day. # A new way of managing assets is raising new profits for Independent Financial Advisers like Mark Potter. • That approach? Outsourcing the custody operations for the entire investment arm of the insurance giant. The bank entrusted? The Bank of New York. By having the Bank manage custody of assets, the investment arm of Norwich Union has been able to concentrate on its core business: creating higher investment returns. This has helped Independent Financial Advisers like Mark prosper by having a superior set of products to market. Today, thousands of clients are using The Bank of New York to enhance relationships with their investors. In the UK, Norwich Union investment Management's Daron Pearce and his client Mark Potter are just one example.

SECURITIES LENDING \*\* \* TRANSFER AGENCY SERVICES - \*

INVESTOR: Daron Pearce.

INDEPENDENT FINANCIAL ADVISER: Mark Potter.

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TECHNOLOGY

# IT INTERVIEW BRIAN HALLA, NATIONAL SEMICONDUCTOR The boss banking on free computers

Brian Halla is seen as a visionary by some industry analysts but treated with scepticism on Wall Street, writes Roger Taylor

far faster than most expected over the past couple of years, but few in the industry would go so far as Brian Halla in predicting that soon they will be given away free.

Mr Halla, chief executive of National Semiconductor, is sure that will bappen within a year, and says he is already working with partners on possible free PC

projects.

It is the kind of bold prediction

Lat helps him maintain his optimism in a difficult period for his company. National Semiconductor's share price is trading at about half its 1998 high, yet Mr Halla is in remarkably jovial

He jumps up from his chair and strides around the office, drawing diagrams on flipcharts, grabbing product prototypes and behaving like an excitable entrepreneur raising money for a start-up rather than head of a you plug into'

multi-billion dollar corporation. But in some respects, National Semiconductor is back on the starting blocks. More than 20 years ago, National was the largest semiconductor company in free PC with every new account the US; today, it is one-10th the could draw customers and size of Intel and still struggles to Can' its place in the market.

The key to its future is the "system on a chip". By next year, National Semiconductor says, it will be able to put the entire workings of a PC on a single chip. This has the potential to reduce significantly the cost of

Prices for personal PCs and to put computing in all computers have dropped sorts of unexpected formats.

The company has already developed a computer motherboard on a flexible strip that allows it to be used in a PC worn on a belt (see story on right). The free PC is not as outlandish as might appear. In the finan-cial services industry, for example, it can cost more than \$250 (£150) to acquire a customer and these are customers who are often expensive to service

With PCs selling for less than \$400, it would be simple for a big US bank, for example, to have a

because they like to pop into

their local branches to ask ques-

The PC will become a plug-in device. not a device

basic PCs built to order at a unit cost substantially below this. A encourage them to switch to online banking, lowering service costs. The machines would have an extra button, marked with the bank's name, that automatically connects the customer to an online banking service.

opinion, part of a broader indus- pany's performance.

Intel strategy of aiming constantly to increase the power of computers to justify new models and the higher prices they ini-

Instead, the market will shift towards a more flexible view of computing as a facility that can be added to all sorts of appliances, from television sets to telephones. "The PC will become a plug-in device, not a device you plug into," he says.

Rivals such as Intel agree on the need for simpler, cheaper computing devices. However, they do not expect a rapid detri-mental effect on the PC market. Analysts are divided on the issue. One industry research

company, Forrester, predicts that 1999 will be the peak year for PC sales, after which prices will collapse and simpler computing devices will start to make big inroads into the market. In contrast, rival Gartner Group predicts PC sales will double between now and 2002. Furthermore, it expects Intel to retain its industry leadership through any shifts in the market. Mr Halla's strategy wins him s

let of fans among industry analysts, who regard him as a 'visionary" – a highly prized attribute in Silicon Valley. But on Wall Street there is a good deal more scepticism about whether Mr Halla has a firm enough grip on the realities of the present. His excitable talk of of \$2.5bn forced National last the coming revolution in computing reeks of the hype to which the technology industry is so prone. In particular, there seems to be a discrepancy between Mr . The free PC is, in Mr Halla's Halla's big picture and his com-



ductor companies, National has prolonged slump in the semiconductor market. Losses of close to \$100m in the year to May on sales month to announce the closure of part of its semiconductor plant in Scotland and the sale of the

Mr Halia has put together a unique combination of assets earlier this year. Then National combining the less glamorous

circuits for tasks such as controlmotherboard, with the capacity to make low-cost X86 processors - the heart of any Windowsbased computer.

However, the industry has had some unpleasant surprises. Cyrix, the X86 microprocessor builder, lost its order to supply Compag, the largest PC maker. lost an important contract to sup-

ply 3Com with network switching Mr Halla describes the loss of

the 3Com contract as the "worst failure" in his career and says the company is now focused on improving execution. He believes a change in fortune is not far off. "When this thing turns, it will turn very, very fast," he says.

If he is right, PCs could soon be free. If he is wrong, National Semiconductor will shortly be

MINIATURE COMPUTERS

# Waistline PCs serve coffee in a moment

A computer round the waist is part of the uniform for staff in a number of Starbucks coffee shops around the US, writes Roger Taylor.

They walk along the line of waiting customers, take their orders, and dictate them into a headset attached to the computer, which is worn on a belt.

The computer uses voice recognition software and a wireless connection to computers at the counter to process the order and beam it instantly to counter staff. If all goes well, your coffee is waiting for you by the time you reach the front of the line.

The device is on trial but early Indications are that it works well. It is made by Via, a Minnesotabased company, and makes use of technology from National Semiconductor which has put an entire computer motherboard on a flexible strip about 5in long small enough to fit comfortably in a belt.

Mr Halla is delighted with the

device. "I have dedicated my life to not waiting in line," he says. He adds that the belt PC could save Starbucks plenty of money as long lines are the singlebiggest cause of lost customers.

He also believes the device illustrates the need for "Information appliances" - the broad term used to describe computers in new formats - to continue to use the Windows X86 architecture. It relies on voice recognition

software from Lernout and Hauspie, the Belgian linguistics software company, which - like most software applications - has been written to work with

THE PULSE ENGINE IS A GOOD ALTERNATIVE TO USING POSSIL FUELS

IF YOU CAN STAND THE DIET.

FT GUIDE ENVIRONMENT CONFERENCE

# Becalmed while hurricanes rage

The stakes are high but the biggest decision at this year's UN climate-change conference was to delay deciding, says Vanessa Houlder

I keep hearing that the current spate of natural disasters may be caused by climate change and the there is an international efing to remedy this. What happened at the United Nations conference on the subject last

On the face of it, not a lot. It was meant to start sorting out the loose ends from the Kyoto conference last year. Then, rather against the odds, the industrialised world agreed to legally binding cuts in are blamed for global warming. This year's conference, hald in

Buenos Aires, was less dramatic. After two weeks of intricate negotiations, the conference decided to postpone most of its difficult decisions, doing little more than outline the items to be discussed in the future.

It sounds like the old joke everyone talks about the weather, but no one does anything about it. It's easy to be cynical. The Buenos Aires meeting was a huge talking shop: there were 1,600 ministers and officials and more than 2,500 delegates from the UN,

think-tanks and trade associations. For two weeks they were closeted in a vast windowless

conference hall discussing the "process" of agreeing climate change measures with the help of obscure jargon - "invisible brackets", "zeroth draft", "nonpapers", and endless acronyms - COP, MOP, GEF. COW, ALJ, CDM, JL, for instance.

It is not surprising that progress was slow. The attempt to curb global warming is an enormously difficult undertaking. Countries are

anything that will hurt their prospects for economic growth. So there is a huge debate about how to share the burden of reducing dependency on fossil fuels. Moreover, it is a bit like setting up a cartel - it will only work if everyone abides by the rules. That means there is a lot of suspicion about some provisions say, could allow countries to wriggle out of their obligations.

Such as? The so-called "flexible mechanisms", market-based instruments designed to reduce the overall cost of curbing global warming. There is widespread support for one of these – the

which will give an incentive to industrialism countries to transfer clean technology to developing countries. But emissions trading, which

allows countries to sell credits if

their emissions are lower than

target levels, is far more controversial. The US believes but the EU and G77 group of developing countries want to impose limits on its use, since they fear it could otherwise reduce the pressure on industrialised countries to make domestic cuts in emissions. This is one of several contentious issues the Buenos Aires summit failed to sort out.

You make the conference sound like a non-event. Didn't the US sign the protocol? Wasn't that elentificant?

The US delegates claimed that signing the protocol gave added momentum to the talks. But it was not so significant, in fact, because it does not take the US any closer to catification.

The US Senate strongly opposes ratification because it thinks the Kyoto protocol is too stringent and will lead to industrialised countries losing ions to the developing world. which would not be subject to stringent pollution controls.

One of the fiercest arguments at the Buenos Aires summit was over the US insistence that developing countries should make voluntary commitments to ahate emissions, Despite a move

and Kazakhston, there is strong opposition to the US request from key countries such as China. So

How much does US ratification matter?

there are some difficult

arguments ahead.

Well, some people argue that even if the US doesn't ratify the protocol, it will still have moral force. But there is a strong possibility that without the US coming on board, the entire international agreement on emissions reductions could fall apart in a few years' time. The crunch time is likely to be

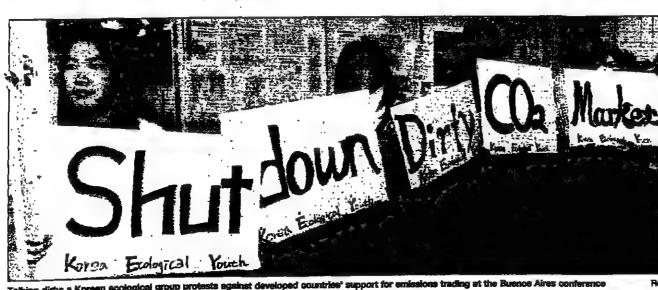
after the next US presidential elections. Optimists about ratification hope that political sentiment in the US will swing behind the Kyoto protocol. They cite growing public concern about climate change, and a growing willingness of US industry to take climate change seriously, as grounds for hope. Moreover, if there continue to be large numbers of extreme weather evenus such as

hurricanes, droughts and floods, people's minds may become concentrated on the subject.

derailed? Is all lost? In the short term, the stakes are high – even though it is arguable that the emission cuts agreed in the Kyoto protocol, an average of 5 per cent between 1990 and 2010, will not by themselves do much

to save the planet. Many scientists argue that it is too little, too late to make a difference. But it is important in that it paves the way for further cuts and, moreover, sends a signal to industry and consumers about the need to reduce

dependency on fossil fuels. in the long run, though, it is arguable that technological dvances, rather than political will, are going to be the key to combating global warming. If the development of cheap and effective alternatives to fossil fuels gathers lasting momentum, the UN's efforts might come to





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#### Dobkin to take consultancy role at Goldman after retirement

Eric Dobkin, the Goldman Sachs partner who built the firm's equity capital markets operation, will retire from the investment banking partnership at the end of this month, but will become a consultant for the investmen banking partnership.

Dobkin - the firm's longest-serving managing director - played an active role in preparing the partnership for its planned flotation this autumn, before the project had to be shelved due to unfavourable market conditions. He is expected to continue to advise the firm on its plan to faunch an initial public offering, which could be revived early next year. Jon Corzine and Hank Paulson, the firm's co-chairmen, have said they remain committed to taking the firm public. Dobkin's retirement brings

to 15 the number of Goldman partners who have decided to retire this year, a number which is in line with previous years, according to a Goldman official. Dobkin, 55. jained

Goldman in 1967 as an institutional equities lesman in Philadelphia, after receiving degrees from Marietta College and Harvard Business School. He became a general pertner in 1982. He remains a member of

the commitments committee, which approves the firm's financings for clients and investments. He will also remain chairman of equity capital markets. although the day-to-day running of the business has already passed to Michael Evans and Tom Tuft.

Dobkin said: "The most important thing I have done at Goldman is to develop and implement the conception of equity capital markets in 1985," - a model which has since been adopted by other firms.

dominant force in equity capital markets.

In addition, he said his goal was "to expand my business interests", but he added that he has no detailed plans at this stage. Last week, Steven Elnhorn, head of global investment research and

co-chair of Goldman's investment policy! committee, announced his retirement from the partnership. Both Dobkin and Einhorn will become imited partners at the end o Goldman's fiscal year on November 30.

Tracy Corrigan, New York

#### **Bristol-Myers** starts race

BristolMyers Squibb, the US-based pharmaceuticals company, has reorganised its senior management, signalling the start of a race for the company's top jobs when its current chairman. Charles Histmbold and executive vice-president, Kenneth Weg, retire in 2001 and 2000 respectively. The changes will take effect on December 1. Heimbold and Weg will form an office of the chairman which will proom their successors. Strong and visionary eadership that delin results is a critical priority for the company," said Helmbaki.

The candidates include: Donald Hayden, who was named president, worldwide medicines group and senior vice-president of the company; Richard Lane. who has been given responsibility for global marketing and consumer drugs in the US and Japan, in addition to his current position as president. US medicines; Christine Poon, president international nedicines; and John McGoldrick, who becomes president of medical devices In addition to his current roles as senior vice-president and general counsel. Michael Mee, senior vice-president and chief financial officer, will

take responsibility for global

business services.

In addition, the company has set up three new "councils", whose leaders are also seen to be in the

running for top jobs. Peter Dolan will head a council to consider strategic alternatives for the company and will become a senior vice-president Peter Ringrose, president of the company's phermaceutical research institute, will head a scientific and development council: and Stephen Sadove, president of worldwide beauty care and nutritionals group, will lead an innovation council which will "encourage bold and creative thinking particularly in product development and marketing", the company said. Sedove will also

company. Tracy Corrigan, New York

#### Petri promoted by Bell Atlantic

pocome a panior

vice-president of the

Dan Petri, a 27-year veterar at Bell Atlantic, is about to become a more familiar face on the international A reshuffle last week left him in charge of the Baby Bell's international wireline nvestments - a portfolio stimated to be worth \$4bn. including an 18.5 per cent riahe in Cable & Wireless

Petri's last job included responsibility for managing the Flag project - the construction of an under cable from Japan to Europe a venture in which Bell Atlantic is the largest investor. Before that, he had run the international operations of Nynex, the New York-based local carrie that merged with Beli Atlantic last year.

In his new position, it seems a fair bet that Petrl vill and up taking over the seat on C&W's board that is currently held by John Killian, the man he is aucceeding. Killian himseli has moved on to become head of investor relations for Bell Atlantic. Both positions are likely to face further review next year, however

when Bell Atlantic hopes to complete its latest glant

### merger, with GTE. Richard Waters, New York Portela to

Banco Santander A year after being abruptly sacked as head of the international offshoot of Spain's Telefónica group, Marcial Portein has found a new slot as an executive vice-president at Banco Santander, the country's largest banking group, with key responsibilities for personnel and cost control He is part of a new team

Santander by former managers of the rival bank Argentaria. He will report to his former bass Francisco Luzón, now on the Santander board, one of the banks's five too executives and increesingly seen as its

imtnence grise. Luzón was ousted at the time of Spain's 1996 lections as chairman of Argentaria, which was then atili partiv state-owned. Portela, who had helped his build up Argentaria, left shortly afterwards for Telefónica.

Santander has also hired Argentaria's personnel director Miguel Sanz to work under Portela in a management development

At the same time. Portela's replacement at Telefónica Internacional. 35-year-old Juan Perea, has been moved after just one year in the post. He has doi wen a propinted to a new job in the telecoms group as chairman of an interactive communications subsidiary, in charge of internet business and online services. The new chief executive of

Felefónica Internacional, responsible for the group's activities in Latin America, where it is the leading international operator, is António Viana Batista, a Portuguese hired from the Benco Português de investimento banking group where he was an executive director. He previously

worked for the McKinsey consultancy.

David White, Madrid

#### Gandur joins Ashanti

Welcoming Jean-Claude Gandur as a non-executive director of Asherti Goldfield of Ghana Sam Jonah, chief executive, said: "He will bring a wealth of valuable experience and contacts from the African business world in which he has been an active and committed investor for almost 20 years." Gandur, 49, Is certainly better known in Francophone Africa than in Europe. A Swiss citizen, based in Geneva, among other things he is honorary consul to Switzerland for the Republic of Congo-Brazzaville and has been awarded the position

of diplomat by Senegal. Gandur spent eight years at Philipp Brothers, the commodity trader, ending as director for Africa and Latin America before becoming joint founder, in 1984, of Kaines, an oil trading company in which the LIK British and Commonwe group was also involved. In 1987 he led a management buy out of Kaines's Swiss subsidiary and created the

Addax and Oryx group whose oil opera exploration and production as well as distribution and trading - are almost entirely in Africa. Among the Addax assets

was a 43 per cent shareholding in Samax Gold a Toronto-listed company with a likely looking deposit in Tanzania next to one owned by Ashanti. Ashanti has just completed a LIS\$135m takeover of Samax: Gandur opted to take shares in exchange for his stake and was invited to

#### join Ashanti's board. Kenneth Gooding, London **GEC** recruits

Sir Charles Massifield, Britain's top defence alesman for the past four

Masefield

years, is to take charge of marketing at General Electric Company and join the main board as vice-chairman. His replacement as head of

defence export services at the Ministry of Defence is to be Tony Edwards, who has stepped down as a director of 11 Group, where he has been chairman of aerospace

interests. Sir Charles, like Lord Simpson, GEC's managing director, was previously at British Aerospace. Before going to the MoD he was commercial director at Airbus Industrie. Lord Simpson described him as "one of Europe's most

He will arrive at the same time as Sir Roger Hurn, chairman of Smiths Industries, who is moving to GEC to replace Lord Prior as chairman, and just as Lord Simpson actively seeks opportunities for rapid growth of the group both in

the US and Europe. Sir Charles's appointment means that Sir Geoffrey Pattie, former defence and trade minister who has been responsible for GEC's marketing activities, will become group communications director.

Edwards began his caree with Rolls-Royce and later worked for General Electric Canada's Bombardier and Luras Aemspace. He joined TI Group in 1992 following its acquisition of Dowty. His new Job carries an MoD salary of £165,000 (\$273,900) plus an annual performance-related bonus of up to £15,000. The defence inclustry tops up his

#### Moving places

per with his at 11.

Alexander Nicoli

pay so that it remains on a

 Toyota Deutschland has appointed Hans Halbech managing director responsible for operations. Henrick Hackin ins been appointed European director of Raisio Chamicala. He will be besed in Malnz in

International People is edited by Lisa Wood. mercial character" excludes

# The reach of public law



The European Court of Justice last week gave a judgment on the definition of bodies governed by public law in the context of the European directives on public procurement.

The judgment arose in a case involving two Dutch local authorities that had awarded a refuse collection contract to ARA, a company set up by them for that purpose, and BFI Holdings, a private-sector company.

The public procurement directives apply generally to contracts awarded by public authorities and by bodies governed by public law. In the case of public ser-

rice contracts, article 6 of the 1992 directive provides that the rules do not apply to contracts awarded to an entity which is itself a contracting authority. The European Court was

asked to decide whether ARA was a body governed by public law.

The statute incorporating ARA stated that its objects included the performance of all economic operations aimed at collecting waste together with activities related to the cleaning of the highways, the elimination of vermin and disinfection.

A body governed by public law is one that is established specifically to meet needs in the general interest, not having an industrial or commercial character.

BFI argued that, since the activity was capable of being performed by a private company, it could not fall within this definition.

The Court said the directive was to be interpreted as meaning that there was a distinction between needs in the general interest not having an industrial or commer cial character and needs in the general interest having an industrial character. It then turned to the issue of whether the term "needs in the general interest, not having an industrial or com-

needs that might also be met by private undertakings.

The fact that there is competition is not sufficient to exclude the possibility that & public authority may choose to be guided by other than economic considerations.

It followed that the directive might apply to a particular body even if private undertakings met, or might meet, the same needs. Absence of competition was not a condition to be taken into account in defining a body governed by public

The existence of competition is, however, not entirely irrelevant to the question of whether a need in the general interest is other than industrial or commercial.

Significant competitie and the fact that the entire is faced with competition in the marketplace, may be indicative of the absence of a need in the general interest. not having an industrial or commercial character.

The Court then considered the question of whether the condition that a body must have been set up for a specific purpose of meeting needs in the general interest meant that the activity of that body must, to a considerable extent, be concerned meeting with needs.

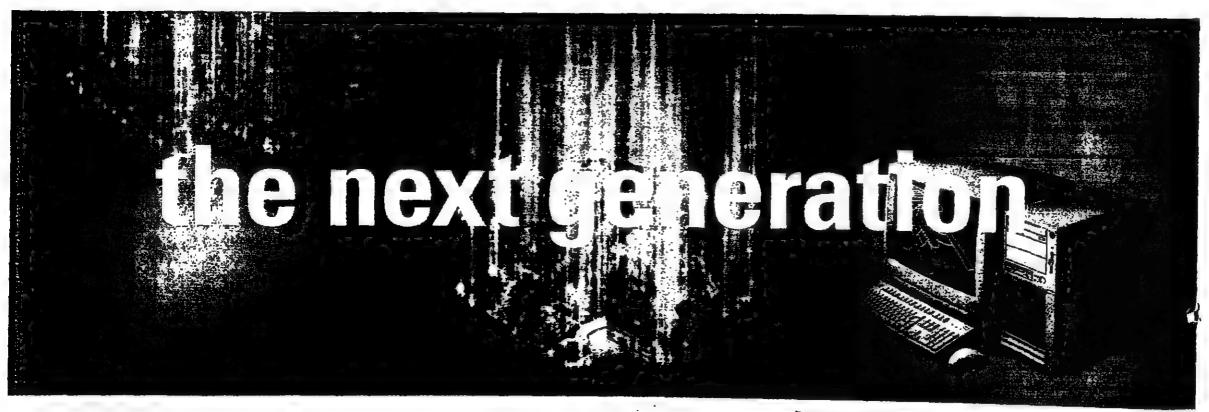
It decided that it was immaterial whether, in addition to its duty to meeting needs in the general interest. an entity was free to care. out other activities. The fact that meeting

needs in the general interest constituted a relatively small proportion of the activitles of that entity was also irrelevant, provided it continued to attend to the needs it was required to meet. Thus, the status of a body

governed by public law was not dependent on the relative importance of meeting needs in the general interest not having an industrial or commercial character. C-360/96: Gemeente Arnhem and Gemeente Rheden v BFI Holdings BV, ECJ FC,

BRICK COURT CHAMBERS,

SIEMENS



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**CELSIUS Workstation** Siemens. Die Kraft des Nouen.

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# Shock-horror plumbs the depths of symbolism

A new exhibition has pushed along the process of taking that 'difficult' modern artist, Salvador Dalí, more seriously, says William Packer

Considered until recently as a trained, instinctive, post-Freudminor and peripheral curiosity in ian imagination. the larger story. Symbolism has lately come to be recognised as one of the imaginative mainsprings of later 19th and early 20th century modernism, sprung upon the creative tension between Romanticism and Neo-Classicism, and not yet wound down even in these days of Dada-Revisited and Conceptualism

And what with the summer's late Delacroix exhibition in Paris is still association, free or not, now in Philadelphia, the Burne-Jones from New York in Birmingham, Beardsley's decorative decadence in London and Gustave Moreau at the Grand Palais in Paris, this autumn has been a season of Symbolism.

While the early and high maturity of the movement - if anything so various and widely diffused in its influence can be properly distinguished as a coherent movement - have been more thoroughly explored, its later throbs and pulses still await

Surrealism is an obvious cas filling a similar role in the 20th century, as did symbolism in the 19th, as imaginative counter to the more formal aspects of modernism. And it is precisely this opportunity which makes the Salvador Dalf exhibition now at Liverpool - its only British shows) ing - so intriguing, not just for that might have shocked the b Dali himself and the generality of Symbolists (goodness. can I his work, which by now together are familiar enough, but for the critical cast of the show itself towards particular sources and

To think of Dalf is to think of the high Surrealism of the 1930s and 1940s, and he the embodi-

So indeed he was, and a client of Frend, whom he consulted in London in 1938, into the bargain. the sub-conscious notwithstanding - of the psychology of dreams, the all-pervasive sexual imperative, the free, intuitive genuine creative stimulus and beration it afforded, association

We find him making constant

classical and medieval myth and Christian

reference to

iconography

and a symbol still a symbol, whether recognised in its apparent or its subconscious meaning. or not at all

may have taken Symbolism into depths of sexual and subconscious imaginings and meanings really have meant that, all the time?) but in essence it remains Symbolism. And we think of Picasso and Matisse, Moore and Pollock, Damien Hirst – all are Symbolists, who play these games,

follows him through to the early (he died in 1989, aged 85), but heavily concentrates on his work of the 1930s. It was then that he which his critical reputation still largely rests and his general popularity is secured.

Dalf is one of those rare creatures, a "difficult" modern artist celebrated far beyond the narrow precise technique, and enjoyed for the frisson of shock-horror his work so often excites. It hardly matters that even in this, his best period, his imagery is often more minute than exact, his drawing mannered rather than well-discilined, his surfaces soapy instead

The more I see of his early work, the more my own antipabecome fades into the future, giving way to the genuine intuitive development of the young artist, from which all else followed, his commitment to ideas and themes still balanced by a natural and intriguing response to what his peers were up to, both technistill the febrile realism of the Spanish tradition, the sideways looks to Picasso, Ernst and Miró. the extravagant appropriation of cubism, the unlooked-for, unexpected hints of Moore and Magritte, young men like him, at

More to the point, we find him making constant reference to classical and medieval myth and Christian iconography - Narcis-

Jocasia, fatally entrapped; William Tell, the ambiguously over tering father. He paints Gala. Roman girl in the relief, delicately flirting her heels as she trips along; as the Sphinx that so

es one of the central icons of 19th century Symbolism, by of Jean-François Millet. Devout in his anti-clericalism as only a pause to pray at the distant bell, as at quite other business she the praying mantis who devours her mate, he the inevitable sexual victim, the wheelbarrow heside them a metaphor of athletic copulative variation.

The critical rehabilitation of Dalí started about five years ago in London, with the Hayward's fine study of his youthful work. Now, in identifying and clarifying these several strands, and following them through the tangled skein of the 1930s, now garbled, now lightly allusive, now elided frankly explicit, the curators, Dawn Ades and Fions Bradley, have taken the process a step further, returning him to serious prurient or purely biographical

The wider historical field they have opened up remains for oth-

Gallery, Liverpool, Albert Dock, Liver-

Jim's name, but thawing vis-

kindness to beer on her.



# A sister's descent into despair laced with poignancy

THEATRE

Sarah Hemming

Like Bernard Shaw. Tenna ssee Williams had a fondness for stage direction which may or may not be helpful to the director. The Wingfields' apartment is in a huge building "burning with the alow and implacable fires of human desperation", he says in the opening pages of The Glass Menagerie. Catching this atmosphere

is one of the hardest - and most essential - things to do when staging Williams, and David Lan's new production of The Glass Menagerie goes a long way. It is not the best production I've seen of this play, but it is pretty good.

gnancy to this tragedy, of it is autobiographical. Williams' own mother was the Amanda Wingfield, trying to young Tennessee. keep the home together after being deserted by her busbend. His frail sister. Rose. forms the template for the the animals in her glass



Touching fragility: Alson McKenna in 'The Glass Mensourie

course, because so much of menagerie, is too delicate to engage with the harsh real world, and the son, Tom, a would-be poet, resembles the

The piece is a "memory play", with Tom, as the narincident that finally shattered Laura's fragile mind the arrival of a gentleman

OPERA

pinned crazy hopes for between love for his family Laura. Lan's production has and loathing for his situation). quality of memory, while Gideon Davey's dimly lit set has only the essential props, and the wooden walls are reminiscent of the coffin in be nailed (Bohdan Poraj, superbly done. Alison

caller, on whom her mother ably conveying his struggle

The production is a bit slow and stilted to begin with, but comes into its own once Jim, the gentleman caller, arrives. The scene which Tom feels himself to between Jim and Laura is

castle's Amanda; who has previously been excruciating, become a tender mother, The final image, as she gently tries to bring round her stunned daughter by holding the tiny glass animals up to the candlelight, is most touching.

for Laura.

#### Prolific Henze puts McKenna is immensely touching as Laura, shivering with fear at the mention of celebration in focus ibly as he brings his easy

Shaun Dooley is very good an amiable, confident young man who talks enthusiasti Henze was keenly celebrated in Manchester last week. cally about the future, his arrival throws the damaged The Royal Northern College of Music offered five days' Wingfield household into worth of him, from his songs perspective. His very ebuland piano pieces to chamber music and three full-dress is their fragility dain fully clear. Dooley's Jim symphonies. The only disapseems to fill the stage with pointment was that they had his affable manner, as he finally to forgo what would have been the British premikindly coaxes Laura out of ere of Henze's grand, stark her shell. For a moment you Ninth Symphony, which truly believe him, when he maintains that a spot of posimade a profound impression in Berlin last year. tive thinking for Laura will Apparently it will not now

cure all her fears. But, as with all hopes be heard in the UK before dashed, the revelation that 2000, when Henze turns 74. Jim is already spoken for Meanwhile Edward Gregson. makes a bad situation worse. the artistic director of this festival, did the next best thing and programmed the from frenzied desperation to sixth, seventh and eighth symphonies, along with empty despair, and the Henze's Piano Concerto no. 1 change is well suggested (composed between the 3rd here. We see how a moment and 4th Symphonies in 1952. means the end of the world but never yet played in the UE) and British premieres of And we see Diana Hardmore recent pieces. Henze has always been awesomely

prolific, in many genres. He lent his benign presence to every session in Manchester, including talkfests. Remarkably, the college's in-house musicians were responsible for almost

only outsiders were the BBC account of Henze's Requiem Philharmonic with Ingo (1990-92, and by common Meizmacher and Peter Donohoe, for the last and biggest

Of the pieces I heard, two The 1979 Sonata for Viole and Piano, a dramatic and dialectical piece, revealed an German texts. imposing stature under James Slater's bow and Heejung Kim's fingers. It wanted only a touch more incisive authority to display its full tensile strength.

Jeremy Young and the Gurney Quartet (advanced students, younger than Young) attacked Henze's 1991 Piano Quintet with scorehing conviction. It treats the four strings less often as individual voices than as a tight, dense ensemble, echoing the piano's evocative material, transforming it, and answering back with heightened intensity. The sheer sound of the embattled quintet, variously glassy, shrill, ethereal or

penetrating, often raised hairs at the back of the neck. Directed by Clark Rundell. the ex-college New Ensemble every concert; virtually the gave a richly prepared

consent one of his best and most moving works). It was concert. All the local person- aptly preceded by Brecht nel, teachers and students and Weill's Das Berliner alike, played to a high stan- Requiem: sombre, angry agitchamber works stood out. fine solo voices whose honest fervour just missed the feral bite for Brecht's pithy

Henze's own Requiem unsung, but each of its nine wordless movements (from an "Introit" to a "Sanctus") condenses a beartfelt personal reaction - to war, to loss, to despair, to Aids, to the fate of the world - into a few arresting musical paragraphs. The dramatic range is extreme, the invention of a high but unclassifiable order. Henze really is unclasquite, and yet he has become a living rebuke to all those composers who join doctrinaire bandwagons.

**David Murray** 

Festival presented in association with the BBC Philharmonic

INTERNATIONAL

# Arts Guide

# **AMSTERDAM**

Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 The Rake's Progress: by Stravinsky Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre, Thomas Randle and Willard White; Nov 18, 20

#### BERLIN DANCE

**OPERA** 

Deutsche Oper Tel: 49-30-34384-01 Cinderella: new staging by Roberto de Oliveira. The title role is danced by Tamako Akiyama, and the conductor is Peter Ernst Lassen; Nov 17

#### **CHICAGO** CONCERTS Orchestra Hall

Tel: 1-312-294-3000 www.chicagosymphony.org Chicago Symphony Orchestra: conducted by Riccardo Chailly in works by Mahler and

Mendelsucho, With mezzo-soprano Petra Lang and baritone Simon Keenlyside;

Lyric Opera of Chicago Tel: 1-312-332 2244 · www.lyricopera.org: Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voict and Susan Graham; Nov 17, 21

#### EDINBURGH OPERA

Edinburgh Festival Thesis Tel: 44-131-529 6000 Scottish Opera: Tristan und Isolde, by Wagner, in a production by Yannis Kokkos. directed here by Peter Watson and conducted by Richard Armstrong. Cast includes Jeffrey Lawton and Eva-Maria Bundschuh; Nov 17, 21

### HELSINKI

DANCE Finnish National Ballet Tel: 358-9-403 021 Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B Ivars. Conducted by David Garloth: Nov 19, 20

#### HUDDERSFIELD CONCERTS Huddersfield Contemporary

Music Festival Tel: 44-1484-430 528 London Simonietta: conducted by Elgar Howarth in works by Simon Holt, Luis de Pablo and Elliott Carter. With piano soloist Rolf Hind and clarinet soloist Michael Collins: St Paul's Hall; Nov 20 Nash Ensemble: conducted

by Martyn Brabblins in works by Turnage, Simon Holt and John Casken; St Paul's Hall; Nov 21 Nuove Sincronie: UK debut of the Milan-based ensemble. conducted by Renalto Rivolta in the UK premieres of three works by Luis de Pablo; St Paul's Hall; Nov 22

 University of Huddersfield Symphony Orchestra: and Symphonic Wind Orchestra conducted by Barrie Webb and Phillip McCann in works by Titur, Torke, Cutler and Meir St Paul's Hall; Nov 18

Huddersfield Contemporary Music Festival Tel: 44-1484-430 528 Opera North: The Nightingale's to Blame. World premiere of a new opera by Simon Holt, based on a play by Lorca, translated by David Johnston. The conductor is Nicholas Kok and the staging is by Martin Duncan; Lawrence

# LONDON EXHIBITION

Batley Theatre; Nov 19, 21,

Royal Academy of Arts Tel: 44-171-300 8000 The Au Bak Ling Collection: 100 Masterpieces of Imperial Chinese Ceramics, 12th to 19th Centuries, includes works from

the Song, Yuan, Ming and Qing dynasties, which together provide a remarkable overview of the finest Chinese porcelains ever made; from Nov 17 to Dec 20

#### English National Opera, London Collseum Tel: 44-171-632 8300 Boris Godunov: by Mussorgsky. Conducted by Paul Daniel in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. John Tomlinson sings

the title role; Nov 18, 20

#### MANCHESTER CONCERTS CONCERTS Bridgewater Hall Tel: 44-151-907 9000 Alfred Brendel: recital by the planist of works by Schubert and

Mozart, Nov 17 Vienna Boys Choir: 500th anniversary concert, feeturing works by Mozart, Schubert, Mendelssohn and Brahms;

#### MARTIGNY EXHIBITION

Fondation Pierre Gianadda www.gianadda.ch/index.html Paul Gauguin retrospective: organised to mark the gallery's 20th anniversary. More than 100 works have been borrowed from public and private collections from around the world; to

MUNICH

Philharmonie Gasteig Tel: 49-89-5481 8181

Munich Philharmonic Orchestra: conducted by Zubin Mehta in works by Liszt, Beethoven and Berlioz. With plano soloist Radu LUDU; Nov 21 **OPERA** 

Tel: 49-89-2185 1920 Der Freischütz: by Weber. Conducted by Zubin Mehta in a new production by Thomas Langhoff, with designs by Jürgen Rose. Cast includes Petra-Maria Schnitzer and Peter Seiffert;

#### **NEW YORK** CONCERTS Avery Fisher Hall, Lincoln

Tel: 1-212-875 5030 www.lincolncenter.org conducted by Christian Thielemann in R. Strauss's Alpine Symphony, Nov 18 New York Philharmonic: conducted by Christian Thielemann in works by W. Schuman and R. Strauss. With cello soloist Carter Brey, Nov 19,

#### OPERA Metropolitan Opera, Lincoln

Tel: 1-212-362 6000 www.metopera.org
Aida: by Verdi, Nello Santi conducts and the cast includes Sharon Sweet, Dolora Zailck and Fabio Armiliato: Nov 17

 Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. The cast is headed by Felicity Lott, Cecilia Bartok and James Levine; Nov 18, 21

#### SAN FRANCISCO CONCERTS **Davies Symphony Hall**

Tel: 1-415-864 6000 www.sfsymphony.org Kirov Orchestra: conducted by Valery Gergiev in works by Wagner and Scriabin. With piano soloist Alexander Toradze; San Francisco Symphony

Orchestra: conducted by Herbert Blomstedt in works by Britten, Beethoven and Hindernith, With violin soloist Frank Peter Zimmermann; Nov 18, 19, 20, 21

#### San Francisco Opera, War Memorial Opera House Tel: 1-415-864 3330 www.sfopera.com Peter Grimes: by Britten. Conducted by Donald Runnicles in a staging by John Copley, with sets by Carl Toms. The title role is sung by Thomas Moser; Nov 17, 22

TOKYO EXHIBITION Metropolitan Museum of **Photography** Tel: 81-3-3280 0031 Love's Body: Rethinking Naked and Nude in Photography. Includes works by Alfred

Stieglitz, Robert Mapplethorpe and Catherine Opie; to Jan 17

#### WASHINGTON OPERA Washington Opera, Kennedy

Tel: 1-202-295 2400 www.dc-opera.org Fedora: by Giordano, Conducted by Roberto Abbado in a production by Lamberto Puggelli. directed here by David Edwards. The cast is led by Mirella Freni and Placido Domingo; Nov 17,

or on paid nt, by nst a)

#### ■ TV AND RADIO WORLD SERVICE

BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

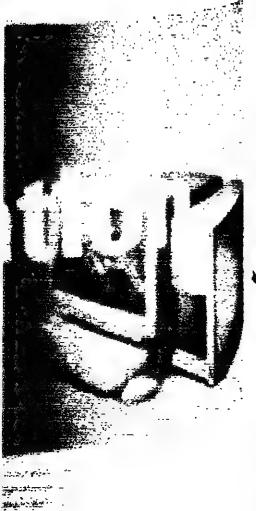
#### EUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT:

06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today

 Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens,



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others, it is the result of low long-term interest rates or booming stock markets.

Industries that do not face

the same pricing pressures

would do well to learn a

The impact of deflation

lesson from those that do.

seems set to get worse, if

Real interest rates remain

in the US and elsewhere.

Consumers have been

sufficiently apprehensive

conditioned to expect

hargains - and are

fast enough to keep

downward pressure on

help push prices down.

think that even those

think hard about how to

cope with falling prices.

Product differentiation.

cost-savings, the creation of

parallel "bargain" brands -

extra service, internal

these are all familiar

are exhausted should

companies contemplate

weapons in this struggle.

Only when these remedies

Such deals are inherently

rather than greed. Defensive

mergers of equals, in which

the distribution of power is

unclear and the unspoken

shared motive is a desire to

risky. They are riskier still

when produced by fear

anything, rather than better.



PETER MARTIN

# Chain reaction

It is not just globalisation which is forcing companies into cross-border mergers. Deflation is also playing a big part

Everyone in chemicals is doing it. Pulp and paper is following suit. Oil is starting to move the same way. Steel is teetering on the brink. Cars are joining in too.

For basic industries - the ones that powered the world's industrial transformation over a century and a half - there's no escape. No longer the stars of their domestic economies, they are undertaking cross-border rationalisation to survive.

The chemicals industry is the most visible example. Hoechst's merger talks with Rhone-Poulenc bring together two companies that have already taken big steps to escape from their chemicals roots. They follow hard on the heels of ICI's transformation, the planned merger of Clariant and Ciba Specialty Chemicals, and the purchase by Shin Etsu of pan of Rovin, a Shell/Akzo Nobel joint venture, to become the world's biggest PVC producer. Other traditional

manufacturing industries have also seen the writing on the wall. In steel, Usinor of France is taking over Belgium's Cockerill-Sambre and British Steel has acquired control of Sweden's Avesta. In pulp and paper, Sweden's Stora and Finland's Enso have come together. In oil, British Petroleum is taking over Amoco, In cars, Daimler is merging with Chrysler.

One way of looking at this cross-border merger frenzy is to see it as part of globalisation. With the world now a single market for many of basic products, a pattern of production and ownership that reflects traditional national boundaries no longer makes seuse. So industries are settling down into new constellations of power and

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scale, crossing national boundaries as easily as they once crossed local ones.

That is only part of the story. True, globalisation would have shaken up traditional patterns of ownership – eventually. And without a recent willingness on the part of governments. managers and shareholders to accept overseas ownership without complaint, many of these deals would have roved difficult. But the argency with

which these companies are coming together derives from something else. It's one of those invisible economic rends we all know is happening but find it hard to nin down: deflation. Stable prices, which now reign across the developed world, are a statistical illusion. Those unmoving consumer price indices do

not reflect what is really happening to businesses. the words of a hoary old statistical joke, they are the average temperature of a man with his head in the freezer and his feet in a bucket of hot water.

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especially in the service sector and other high-growth areas, are comfortably warm, with prices for their products rising. For others. chilled to the marrow, prices are relentlessly falling. The industries that find themselves at the freezer end of the body corporate are the ones rushing towards

For industries supplying the basic ingredients of nanufacturing ~ chemicals steel, oil, paper – the freeze has got much worse in the nest year. The Asian tigers provided almost all the growth in demand for these roducts, as they turned themselves into the workshops of the world. With Asian manufacturing in deep recession, prices of industrial building blocks

cross-border mergers.

have been tumbling. In other industries, such as cars, there is not the same demand-side pressure on prices. Their Achilles beel is overcapacity, a surplus of plants built on the back of cheap capital. In some cases this capital was artificially underpriced - in Japan or

> shelter from the cold, are the riskiest of all. Cross-border mergers are ikely to succeed only when their motivation is ggressive and the victors in the internal struggle for power are identified at the outset. Some of the recent ieals in basic industries (such as BP/Amoco) fit this sattern. Many do not.

> The 1970s taught us how inflation damaged business decisions and the allocation of resources. We will soon be earning, the hard way, that deflation has an industrial price too: botched mergers and unworkshie combinations

NYSE Symbols EDIT

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# LETTERS TO THE EDITOR

# Action, not denial, is required to bridge the UK's productivity gap

statement stands.

Sir, John Redwood (Letters high all round the world, 16 November) argues that it even after the recent easing is no wonder that Britain comes out badly in McKinsey's productivity comparisons because exchange rates were used about the macro-economic that are lower than recent outlook to seek them out. market rates. Does he not Asian exports will recover realise that, because market rates vary so much, the internationally standard way finished-goods prices, but of making comparisons is to not fast enough to ease the use purchasing power parity nge rates based on squeeze on suppliers of basic ingredients. And in Europe. local prices for similar goods? Surely he is not the increased transparency that follows the euro will arguing that the appreciation of roughly a se are all reasons to fifth in sterling against the D Mark in the year to May 1 businesses currently basking 1997 improved our productivity relative to at the warmer end should Germany by this amount? He also takes exception to

my statement in last week's debate that "productivity relative to our main competitors did not improve during the Tory years". National accounts data

show that between 1979 and 1996 we fell behind Janen. west Germany and Italy in terms of gross domestic

product per worker, that we made practically no progress against France, and that everyone did rather better against the US - not surprising since it is the world leader from whom others should be well placed to learn. Overall, my

McKinsev told the first of the DTI/HMT productivity seminars that economic performance gaps remain significant. Its report shows that our GDP per head grew somewhat faster than in the US, Germany and France between 1985 and 1996, but makes clear also that the underlying reason is not that our productivity improv faster. It is that the proportion of our population in work has tended to increase, if more slowly than in the US, and that the proportion in work has ended to fall back in

Germany and in France. In short, we have tended to draw more people into the thing which welfare-towork is designed to enhance. Would that our relative productivity

Instead of pretending that no productivity gap exists, as Mr Redwood repeatedly does in the House and in the press, we see this as a challenge that requires action, one that we are determined to meet. Of areas referred to in his

announced that we will re-examine planning regulations and building controls; we are pressing with like-minded Europea Union partners to phase out milk quotas; our is already one of the most competitive; and the Commission is looking enerally at price differences, including cars Far more fundamental will be the programme of action to improve our competitive performance that the government will soon announce in my white

letter, we have already

Peter Mandelson secretary of state for trade and industry. 1 Victoria Street London SW1H OFT, UK

# Blair should move into the open on EU

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From Sir Roy Denman. Sir, Philip Stephens offers a characteristically elegant defence ("The goal is set" November 13) of Tony Blair's policy towards the suro. The prime minister sees Britain's future embedded in the European Union". Some day it will join the single currency. What happens meanwhile, as far as the British public is concerned, is clouded in

mystery. This Micawher-like approach is depressing enough. Even more depressing is that Mr Blair is still not facing up to the full political implications of the European adventure.

From the beginning the im has not changed. Following Robert Schuman in 1950, and Walter Hallstein 40 years ago. Gerhard Schröder pledged on November 10 "to drive forward the further levelopment of a political

Joining this would for us be a major step. Yet, as Germany has shown. federation can be a highly neans of ensuring prosperity at home and influence abroad, while fully respecting local

If Britain chose to put its weight behind political union it could play a important role in Europe and the world. But the British people need to make this choice

after full and honest debate, not to be told half the story several years late. In the meantime, as Mr Stephens points out, the euro-rone is forging ahead. The clock is ticking. It is time for Mr Blair to come out of his

work best where the private markets alone. In our experience of working with

Third world should draw business into dialogue

Sir. Martin Wolf's commentary ("Aid, hope and charity", November 11 ) on the World Bank's conclusions that aid works where economic policies are sound and that aid in these circumstances is a good investment, is welcome.

Economic growth that includes the poor, builds human resources and opens sooms to trade and investment is a better recipe for sustainable growth and poverty alleviation than dependency. But the economic growth model in a world where private sector capital flows, trade and investment are the main

sector is encouraged to optimise the development benefit from their business operations to communities in poorer countries where they operate. An enabling environment which engages the private

sector in both dialogue and action to promote transparency and good governance, share management skills, raise business standards, build human resources and strengthen the social infrastructure through partnerships between private and public sectors, will deliver far more

required is that the exceptional behaviour of the leaders now becomes the mainstream practice of the many to the certain acclaim of employees, customers and Robert Davies. chief executive The Prince of Wales Business Leaders Forum. 15-16 Cornwall Terrace,

Regent's Park.

London NW1 4QP, UK

business and partners in

developing and transition

to happen. But what is

countries this is beginning

194B Avenue de Tervuren, 1150 Brussels, Belgium

# Don't expect too much

Singapore's elder statesman tells Peter Montagnon and Sheila McNuity that Asian values will not be changed either by the crisis or the policy response to it

his words.

because he does not mince Kuala Lumpur, Mr Lee has little consolation for Asia's embattled leaders, or for westerners wondering when

win back confidence and get capital to flow back," he says. "Then interest rates and exchange rates and everything else will fall into

Sitting in his woodpanelled office in the Istana,

crisis and say 'we've done wrong, let's be different'? That is not realistic." Asian bankers will still the country but the family is help a nephew or a cousin back, and the loot has not will conclude that those with

immediately," Mr Lee says.
"Moreover the 'toll collection system' set up by underpaid government officials has been institutionalised and cannot easily be dismantled. But they will have a more open system, which foreign investors and banks may

find acceptable." In general, he says, "they know their excesses will have to stop". Democratic reforms are not a panacea. Even in Asian countries which have democracy, voting often involves money, and huge supposed to get rid of cor-

ruption, cronyism and nepo-tism. But by backing the right candidates with their resources in the last elecquick cultural change. resources in the last elec-Can you expect them to tions, Mrs [imelda] Marcos governments to maintain the political and business limelight. Former President Ferdinand] Marcos pillaged

through the tough reforms they need."

stages and do not try to have a total change at once, and and out with the army, then there could be trouble. If the army is not in active support of the government, not an active participant in deciat the Philippines," Mr Lee stons affecting law and afree press which are law government, not an active participant in decident the Philippines," Mr Lee stons affecting law and carplains. "Rt has democracy order, there could be chaos and a free press which are [in Indonesia]," he says."If you completely overturn the present set-up, I don't know what will emerge."

Mr Lee says the crisis is bound to add to pressure on some form of capital controls. Singapore is not in favour of them but others face different circumstances. "Many developing countries some capital controls, like

Free capital mobility for region.

ers were emboldened by the bailout of Mexico's creditors

One change which does appear to be in train is a more relaxed attitude about involvement in the affairs of other countries, long an Asian taboo which has prevented proper discussion of economic policy at a

regional level. Thailand and the Philippines have already suggested there should be more open-ness. "This is rational and logical and in economic matters should be acceptable. But in political terms, it's still difficult. We should not push it too fast because this is a wrenching cultural change for many leaders,"

Mr Lee says.
Asean, the Association of Southeast Asian nations, was "shell-shocked" by the crisis but is far from being a spent force, he says. Its members still need each other to have a bigger voice in the region. "But all are dazed at what has happened and have not taken in the extent of the damage. We have not completely hoisted in the economic, social and political implications of what has struck us."

He believes Japan has been criticised unfairly for lack of leadership in the Asian crisis, After all, the country has committed large amounts of money which China, the region's largest country, was not in a posi-tion to offer. China has made a useful contribution by resisting the temptation to devalue, but it was unable to provide solutions for the entire region.

Mr Lee says Japan has not had the clout to impose policies on other governments. This is still the prerogative of the International Monetary Fund, with US backing. For Mr Lee, this is a satisfac-Indonesia is also on Mr Taiwan and China, have further evidence that no one country can dominate the The Americans can play

collecting monies that are confidence. "For that, they not properly accounted for? need elections to produce a government that will have because international lend-

We are lean to ancourage letters from readers workbede. Letters may be fixed to +44 171-973 5838 (set fix to "fine"), s.moli. Intersection of the resistance of the property of the fixed states about the property of the resistance of the resistan

FT INTERVIEW LEE KUAN YEW

Number One Southwark Bridge, London SE1 9HL

see Lee Kuan Yew, Singapore's former prime minister and now "senior minister", perhaps

On the eve of this week's Asia-Pacific summit in and in what form Asia will emerge from its year-long

The summit will not produce any simple solutions to the Asian malaise, he says. If there were such solutions they would have appeared already. Instead, leaders must give heart to populations still facing a long hard slog. "The key to recovery is to clean out their systems.

the palace from where he governed as prime minister from 1959 to 1990, Mr Lee slaps his knee with the conviction of a man who knows he is right. His seemingly frail exterior masks the alertness of a man still bounding with energy.
Mr Lee warns the west

that it would be rash to suppose that the measures which are called for to deal with the crisis - cleaning up the banking system, better regulation and an end to cronyism - will engender

wake up the day after the and her children are back in

get a loan, he says. "I don't been recovered." see that stopping altogether.

Indonesia is also on Mr
Taiwan and Chi
Lee's mind. The country is
and of government."

Taiwan and Chi
come capital cont
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emerging from its economic What about the general crists as a possible security developing countries with what about the general crists as a possible security issue of government corruption? In particular, what about the vened question of underpoid government officials in several parts of Asia that will restore order and claim several parts of Asia that will restore order and confidence. For that they are confidence or they are confidence or that they are confidence or they are confidence or that they are confidence or they a

legitimacy with their people. Only such a government will have the clout to carry

Even so, Mr Lee argues for caution. "If they do it in the army stays in support of the process, there is a fair chance that they can pull through. But if they go for immediate and total change,

Rethinking I

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# FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Teles: 922186 Fax: +44 171-407 5700

Tuesday November 17 1998

# Japan's failing policies

Japan's latest economic stimulus package, announced yesterday, was characteristically vague and confusing. Combined with the Bank of Japan's moves to pump liquidity into the economy, it economy out of deep recession. But it is likely to make Japan's structural problems even worse. Part of the reason for the sever-

Himpools to investigate

The shipyan

ity of Japan's recession is overcapacity in both the banking sector and in industry. The keiretsu system and extensive crossshareholdings provided a shield from market pressures. And the close relationship between companies and banks meant that companies could borrow for projects with little assessment of for 10 per cent of employment. their viability, even as their prof-

Despite the depth of the current recession, though, very little of this capacity has actually been taken out of the system. The soaring bankruptcy figures are only the tip of the iceberg.

Banking sector restructuring has shied away from any proper assessment of which banks are worth saving and which should be closed. The Bank of Japan's decision to accept corporate bonds as collateral for cheap loans will also help banks struggling to keep aflost.

With the pain now spreading from the banks to the corporate sector, companies are looking to the Japanese government for help; they are getting a response. The banks are being actively

day's stimulus package included an allocation of Y5,900bn (£28.9bn) to "alleviate the credit crunch" - which translates as cheap loans for business. The may just be enough to keep the state-sponsored Japan Development Bank is already multing a Y100hn loan to carmaker Nissan.

The Y8,100bn of infrastructure spending in yesterday's package is also, less directly, aimed at struggling companies. The government's enthusiasm for pr investment, despite the fact that Japan's infrastructure is already highly developed, is partly explained by the fact that it provides business for the construction sector, which still accounts

The lack of market reaction to

a package worth 4 per cent of gross domestic product also reveals an utter loss of credibility in Japan's government. This package, like so many before it, was announced with the hare minimum of detail. It is almost impossible to tell how much of the money is new, and how much recycled from previous packages; or exactly how each chunk of money will be spent.

After months of damaging procrastination, the Japanese government's only response to the deepening crisis appears to be to throw money at the economy. bailing out banks and companies indiscriminately. Only when it accepts that real restructuring is necessary will the economy be

# Benz bows out

outlook and operations than the the capital productivity of the motor industry. The globelisation Germana? There lies the risk. But of best production practice has, at least, in an industrial marmoreover, provided immense riage, it can partly be managed. benefits to the consumer. Yet, peradoxically, ownership of the and increasingly uniform such consolidation makes sense. vehicles that emerge from facto- So, too, does the management ries around the world are also dynamic. While the get-together the product of remarkably differ- is billed as a merger, and the ent labour market practices, largest ownership stake is in US financial disciplines and governance arrangements.

That is a measure of the challenge confronted by Daimlerentity whose shares will be traded for the first time tomorrow. An amalgamation on this scale, across national boundaries. is unprecedented. Yet there can be no question that the prize is worth striving for.

brings to the marriage quality engineering unmatched in the US. For its part, Chrysler uses capital with an efficiency that is notably lacking at Daimler-Benz despite its recent enthusiasm for companies can help raise the other's game in these complementary areas, this could be a mar-

riage made in heaven. But what if, to pervert a celebrated aphorism of George Bernard Shaw, the outcome of the marriage delivers the engineer-

No industry is more global in ing quality of the Americans and The positive aspects of the combination include sound industrial logic: in a market suf-

sentially national. The sleek fering from global overcapacity, hands, there is no question that the Germans, led by Jürgen Schrempp, are in charge.

The big problem, as with all cross-border mergars, will be the harmonisation of the respective cultures. Since the holding comnany will have a two-tier board and operate on the basis of Mitnung, or co-determination, Anglo-American governance practice will be interestingly tem-The former Daimler-Benz pered with a German social conscience. The scope for the mix to become poisonous lies most obviously in the area of pay, where the US managers enjoy dramatically higher rewards than their

That said, much of what is best in the US management culture has Germanic roots. And modern communications technology greatly reduces the difficulties in controlling a cross-border behemoth. Integration will no doubt be painful - but not necessarily

get, bigger than Turkey's gross dimestic product bigger even than Japan's eco-If states across the US vote in favour of the deal, the \$205bn to be paid out by the tobacco industry over the next 25 years will be

the biggest civil liability settlement in corporate history. Tobacco manufacturers are hoping the deal will put behind them the worst of the litigation that has threatened them for the past few years. The cost will be passed on to smokers in the form of higher cigarette prices, and the companies will be able to go back

he sum is breathtaking: annual US defence bad-

But US industry is worried that, far from marking the end of a litigation wave, the deal could lawsuits against other businesse as trial lawyers look for their next big target.

being finalised last week, Richard Daley, the mayor of Chicago, announced that the city was filing a \$433m suit against gun manufacturers and distributors, claiming compensation for the cost of dealing with gun-related crime. Two weeks earlier, the city of New Orleans had also filed suit against the gun industry, seeking reimbursement of miltions of dollars spent on police. medical and other city services in connection with crime, unintentional shootings and suicides.

The New Orleans suit is being master-minded by Wendell Gauthier and John Coale, two trial lawyers who led the charge against the tobacco industry. Several other cities and states, assisted by the trial lawyers, are

The question is: which industry's next?" asks Larry Krans, president of the US Chamber Institute for Legal Reform, an affiliate of the US Chamber of Commerce. "Is it going to be alcohol? You can say the same thing about the alcohol industry that you can say about tobacco. It's a substance that if you use it improperly, can damage you or injure you, and causes auto accidents. Interestingly, unlike tobacco, alcohol can result in injury to innocent bystanders

"After alcohol, is it going to be high fat content foods and get heart attacks and so on that the states end up paying for. You can go on and on.

For example, you might sue the automobile industry to compensate for the medical costs of car accidents, Indeed, anyone associsted with activities that have dangerous or umpleasant side-effects might be vulnerable.

"Anyone who doesn't think this is going to happen is badly mistaken," concludes Mr Kraus because it has already started with the gun industry."

So what new legal theories have prompted this litigation wave? And is it as dangerous as

In the case of tobacco, it started with entrepreneurial trial lawyers who had become frustrated at their lack of success in persuading juries to award dammoking-related illnesses

Eberhard Martini, the jovial,

cigar-brandishing former

former Vereinsbank boss

week's of the merger's

deals, mainly in east

officials, implicitly including

him as unfit to run a bank,

supervisory board - which

confidence in Schmidt. The

official line is that Martini's

his way. At 64, it could be

a corresponding change in

includes Martini - declared full

resignation from the board was

not discussed, but the word in

Munich is that he will soon be on

presented as a natural move into

But other, younger, heads look

set to roll. The board promised

"a conceptual reorganisation with

of HypoVereinsbank's

A weekend meeting in Munich

month after HypoVereinsbank

raised its risk provisions within

merged bank.

If was not that juries liked the tobacco industry, or even

thought it had behaved very well. But they clung to the commonsense view that the dangers of

Lawyers, however, were convinced that there must be a way of prising money from an industry whose products caused sickness and death, so they looked for a new approach. They found it by forming an alliance with the states, which bore the financial burden of treating smokers who had no medical insurance.

smoking were well known, and

people who decided to take up

the habit were responsible for the

The approach was clever because it separated the issue of smoking from personal respon bility. The lawyers argued that, regardless of who was to blame for smokers' illnesses, it was certainly not the states: so the states the food industry? People eat money they spent treating impecumous smokers under the icaid bealth scheme.

Once this approach gained momentum, it became almost unstoppeble. With the help of the trial lawyers - typically working for a contingency fee of 30-50 per cent of any winnings - nearly every state in the US sued. Some states even passed special laws that stripped away some of the tobacco industry's defences,

Soon, the tobacco companies were staggering under the weight of billions of dollars' worth of litigation. Quite possibly, only a handful of the lawsuits would have succeeded, and those may have been overturned on appeal. But it hardly mattered; the risks were high enough for the tobacco industry to consider it safer to settle than to fight - especially since they could pass on the cost in higher cigarette prices. The element of pressure is now

a familiar aspect of the US legal

**OBSERVER** 

Dow Corning, the US siliconproducts manufacturer, agreed to yers representing about 176,000 women, even though repeated scientific studies have indicated silicone breast implants are safe.

Opening the floodgates

Richard Tomkins argues that the US tobacco settlement seems to set a worrying precedent:

that the public sector can claim against all sorts of industries for the costs imposed on society by people's use of their products

> As with the tobacco industry, no verdicts had been reached. But the rights and wrongs of the case were almost irrelevant: with 19,000 cases pending against the company, each of which would have cost about \$1m to win, it was cheaper for the company to

successful in staving off anti-tobacco legislation, and the gun pay \$3.2bn to settle breast lobby, represented by the implant claims brought by law- National Rifle Association, has been similarly influential in limiting gun controls. in the absence of government

been playing a more active role. In the last 30 years they have plaintiffs at the expense of big business, expanding the standards of liability and increasing can bring legal actions.

Which industry's next? Is it going to be alcohol? After alcohol, is it going to be the food industry? People eat high fat content end up paying for. You can go on and on'

brought closely resemble the tobacco litigation because they eliminate the issue of personal responsibility for the firing of the gun. They simply seek compensation from the manufacturers for the costs imposed on society by their products.

In other countries, if issues like these are tackled at all, they are usually addressed by governments. Most European countries, for example, impose high enough cigarette taxes to outweigh the social costs of smoking, and severely restrict private ownership of handguns and assault

But in the US, federal and state politicians are hindered by powerful industry lobby groups. The tobacco industry, one of the biggest contributors to Republican

Priest, professor of law and economics at Yale Law School, the US legal system has become a means of securing social objectives that other countries achieve through government policy and regulation - for example, using awards against the tobacco industry to pay the medical costs of smokers who cannot afford private healthcare.

The problem with this, says Prof Priest, is that a large proportion of the proceeds are absorbed by legal costs and the trial lawyers' contingency fees. "So even if you view it as as a substitute for national insurance, it's a very bad insurance scheme."

It is also very haphazard. In the case of the tobacco settlement, no heed seems to have been paid to the fact that individual states already impose varying

party funds, has been notoriously levels of excise taxes on cigarette federal government recompenses states for half their Medicaid costs, yet is due to receive nothing from the settlement.

Even so, the precedent has now been set. The states and trial lawintervention, the courts have yers appear to have established tor can claim against any indusbecome more sympathetic to try for the costs imposed on society by the use of its products. And if enough states or cities sue together, there is a good chance the industry will be forced to settle without any need for the states or city to prove their case

> Not everyone agrees that things look as bad as this for US industry. Charles Silver, professor of law at Texas University. says he will be "absolutely astounded" if the tobacco settlement is replicated elsewhere.

rested in part on the notion that tobacco companies had conspired to conceal the dangerousness of their products. "Where is the conspiracy among gun manufacturers to establish that their products don't kill?" he asks.

Still, the gun lawsuits are there, and many believe it is only a matter of time before the alcobolic drinks industry is targeted. Other candidates could include the car and motorcycle industries, chewing gum manufacturers, and almost anyone involved

in the year 2000 problem. "There no reason why suits on this theory should not be brought against almost any industry." says Prof Priest. "Actually, the largest source of hospital injury in the US is people that fall down stairs. Should we bringing these suits against the lumber industry or the contractors who build the stairs? It's a very unfortunate failure to take the notion of personal responsibility seriously.

# Rethinking Iraq

weekend, the weapons inspectors on power while his people starve; of Unscom are set to have one last try. They arrive back in Iraq today, preceded by a US-UK his ability to withstand occawarning to Saddam Hussein that sional missile attacks plays well if he further obstructs their task he will be bombed.

It is hard to know whether Unscom can uncover any more of lraq's armoury of chemical and biological weapons. But it is practically certain that, if it looks like doing so, Baghdad will block it. The crisis is by no means over.

in particular, Washington and London appear determined to set Mr Saddam exacting tests of his willingness to co-operate, while there is still momentum behind their military build-up in the Gulf. As Washington confirmed at the weekend, this could mean an early end to Unscom's role. While Unscom should of course

be used to the full while it can be, its departure would force a policy re-think which is in any case long overdue. Since the end of the Gulf war, containment of iraq has been based on blanket anctions, intrusive weapons inspections and periodic military strikes to keep Baghdad in line. That policy appears to have run After eight years, sanctions the region.

After the brinksmanship of the have actually tightened his grip regime to challenge the UN: and to the Arab gallery. Washington, which ordered

and then rescinded bombing raids at the weekend, appears resigned to moving from internal monitoring of Iraq to external deterrence, whereby aggression and non-compliance with UN invite prompt retaliation. In time, however, it should con-

sider whether to refocus sanctions, and in particular whether to lift the embargo on Iraq's oil exports. Mr Saddam evades the embargo by smuggling enough to finance his regime; its effect falls primarily on his people. Where the screw needs to be tightened countries should intensify their co-operation with Iraq's neighbours. Turkey, Jordan and Iran, to stop smuggling. In addition, there needs to be a significant increase in monitoring of Iraqi imports to prevent arms and

dual-use equipment going in. The current sanctions regime is neither sustainable nor likely in preventing Mr Saddam threat- to end Mr Saddam's rule. A polming his neighbours. But what it icy of firm deterrence coupled with newly targeted sanctions ould last this long, with such stands a better chance of minimising the threat he can pose to Hypo activity management responsibilities". Sounds painful for someone. in Munich

### Package deal

The merger that gave birth to Germany's second-biggest bank, Bayerische HypoVereinsbank, is Taichi Sakaiya, head of Japan's economic planning agency, can't have enjoyed explaining the letest Y24,000bn stimulus package to sceptical journalis chairman of Hypo-Bank, looks to it was, after all, the third or have come second in a spat with seventh package in the past

Albrecht Schmidt, who heads the year, depending on how you define a package. Even Sakaiya had to admit that Tokyo was suffering package fatigue, though he insisted that the latest model was the definitive version. completion. He blamed ex-Hypo acknowledged that the

Martini, for botching property government's pledge to double the country's "living space" - by building homes rather than A furning Martini denied he had invading anyone - shouldn't be done anything wrong and hit back at Schmidt by describing In Japan we are always saying

double this or that. But it is a slogan – it does not reelly mean we plan to double it." he said cheerfully. "Our plans are still a little undecided." Observer wonders when the next, more definite, package will be along.

### Grace noted

Joe Clark has shown time and again he can be a graceful loser. But supporters of the former Canadian prime minister, who has just won back the leadership of the ailing Conservative party after 15 years, may want him to

cash in a bit of grace for some political knuckledusters. The quickest way to revive his in the House of Commons would be a merger with the

rightwing Reform party. But Clark tisdains the prairie populists and their leader Preston Manning, a rival since their days as student. Clark is best remembered for squandering his surprise victory

over Liberal premier Plerre included prudent but desperately unpopular taxes on petrol. Trudeau won a no-confidence vote and went on to crush Clark n the subsequent election. Clark responded with dignity even calling a leadership contest - which he lost - after declaring

that a two-thirds vote of support from his party was insufficient. There is some surprise that Clark, now 59, has abandoned the role of elder statesman to re-enter the political arena. He certainly didn't sound like a man lusting for power when, in his first speech as leader, he attacked Reform rather than the governing Liberais.

The only result, one Reform member said yesterday, "is that we're going to re-elect Liberals

### Open channel

George Chryssoulouris, the energetic boss of Greece's public OTE, is an expert on information systems, Judging from recent boardroom leaks, he might need

Chryssoulouris has scored two big successes in recent weeks. He helped the government raise \$1bn through a secondary offering of OTE shares, stomping round Europe and the US to give more than 100 presentations to rake in the loot despite difficult narket conditions.

\$675m acquisition of Rom Telecom, the profitable Romanian state operator. It's Greece's first mega-deal in the Balkans so you'd think he'd be getting

Not a bit of it. Board members complain Chryssoulouris doesn't tell them what's going on. This year they chucked out his business plan because it contained too few details. Vassilis Rapanos, a too-notch banker who took over as chalrman in September, is already rumoured to be on the varge of resigning. Both Rapanos and

Chryssoulouris are friends of prime minister Costas Simitis. But if he has to choose between them, it may be easier to find a new job for Rapanos. There are still several state banks in need of an overhaul, while Chryssoulouris is preparing OTE's bid for Bulgaria's telecoms operator. Information systems

# Financial Times

#### 100 years ago An Artistic Swinds

Mr. Schneider, the manager of the Association of Parisian Artists, continues to inundate London with circulars from Paris. He announces that he will make "a limited number of our portraits of some prominent people absolutely free of charge." A large number of people must have been astonished to find themselves considered of such importance, if anyone were credulous enough to send a photograph of himself, he would shortly afterwards be informed that the enlarged portrait was ready and would be forwarded on receipt of the cost of the frame and carriage - an amount which, it is needless to say, will cover ten times the value of Mr. Schneider's productions.

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### 50 years ago

Occupation Of Germany Frankfurt, Nov. 16. The three Western Military Governors of Germany to-day reached \*90 per cent agreement" on the form of an Occupation Statute. General Lucius D. Clay, United States Military Governor, said to-night. The statute would give Western Germany the first legal definition of its status since the occupation. Gen.

Section 100 to

# FINANCIAL TIMES

TUESDAY NOVEMBER 17 1998



### THE LEX COLUMN

# Nissan's junk

Nissan and Mitsuhishi are in grave shape. News that Moody's, the US ratings agency, is mulling over giving them a sub-investment grade rating will only add to the Japanese carmakers' woes. With astronomic gearing and non-existent cash generation, neither can afford the higher financing costs a downgrade would entail. In Nissan's case, a vicious circle has long been at work as the company attempts to reduce its Y3,900bn debt burden; cuts to capital expenditure have led to lacklustre products, flagging sales and falling mar-

is there a way out? Asset sales - such as the Nissan Diesel truck subsidiary -are proving difficult, often because of foreign fears of hidden liabilities to suppliers and customers. Share issues are a hard sell. Commercial lending is contracting fast. And support from ketretsu or associated business groupings is doubtful. Inevi-tably, perhaps, the hat is being passed back to the taxpayer. But subsidies, such as the proposed Y100bn government loan to Nissan, are worthwhile only if tied to strict capacity-reducing measures.

Given that a Japanese company would shy away from the rationalisation that would make a domestic merger pay, letting ailing carmakers go bust seems the best solution. At least then a foreign company could come in with a clearer picture of the balance sheet nasties, as Merrill Lynch did with Yamaichi, and take the credit for saving some jobs.

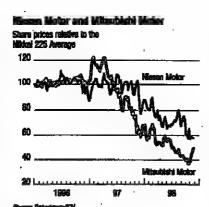
#### UX entrepreneurable

Britain has an enterprise deficit. At least, so thinks Tony Blair's government. And certainly compared with the US, Britain is less entrepreneurial. Executives are less willing to leave secure jobs in the private sector for start-ups; the same goes for scientists leaving the groves of aca-

But what should be done? On one view, government cannot change Britons into Americans – and it would not be a good idea even if it could. On another, the culture can and should be chansed. First. the government could affect the mood music - for example, by singing even more lustily the virtues of getting rich. Second, it could tilt the tax system to make it easier to become rich. The pros-

News

American Navas



more people into entrepreneurship - so changing the culture.

The government has not quite articulated its vision this way. But that is the heald thrust of the various ideas floated in the chancellor's pre-budget statement this month and an accompanying report by Sir Peter Williams. Two proposals, in particular, stand out. First, that high-tech entrepreneurs should pay a reduced tax rate on share options. Second, that loss-making start-ups should gain a tax credit for research and development expenditure.

Such tax wheezes might quicken the nation's entrepreneurial spirits. But can they be justified? One line of argument might be that entrepreneurship is a good thing in itself and so should be subsidised. But is it really more morally valid than, say, teaching or nursing? Hardly,

A more promising line would be to argue that such tinkering would not sount to a subsidy - but rather remove existing handicaps. Remunerating people with share options rather than hard cash is such a case: companies can charge salaries against profit for tax purposes but cannot do the same with options. So cutting the tax on entrepreneurs' options

would merely re-level the playing field. Fair enough - up to a point. Insofar as there is a distortion, it affects everybody, not just entrepreneurs. So any taxadvantageous treatment for options should be available universally - not just to top managers, high-techs or even startups. Still, given that entrepreneurial companies rely more on equity to recruit management than mature companies, they

would be the main beneficiaries. A similar argument could be made for giving a tax credit to loss-making companies. The current system is asymmetrical: start-ups pay corporation tax if they are profitable but do not get a rebate from the Inland Revenue if they fail. Intellectually, a "negative" corporation tax has much to commend it. Still, if the government wants to go down this road, it should again be universal - not limited to companies with high research and development.

The biggest question, though, is whether the Blair government has shed enough of its socialist baggage to embark on policies that could end up making some people seriously rich.

#### BMW/Rover

What a pity there is so much political fuss about the sword of Damocles that BMW is holding over Rover's Longbridge plant. BMW is not only right to be seeking job cuts and changes to working practices to justify its £500m-a-year investment programme but it must also consider whether Longbridge, in a congested sub-urb of Birmingham, is the right place to build the new Mini and a medium-sized Rover models.

Annualised working contracts are the way of the future, as French employers grappling with the 35-hour week know all too well. Out go rigid shifts and overtime payments, in come flexible working hours matched to production peaks and troughs. BMW already has union agreement for such contracts at the engine plant it is building on the other side of Birmingham With manufacturing unemployment rising and Rover losing money, the time is ripe to push through reforms that could cut 2150m from Rover's £1bn employment

But beyond manufacturing efficiency, BMW must decide where to make the new Rover models. The new Mini, due to start production in 2000, could be moved to Cowley, Oxford. This leaves the big queetion hanging over the Rover 200/400 replacement. Given Longbridge's convoluted layout, BMW believes it would cost £300m-£400m less to build a greenfield factory. That is what it should do, with no need for any state aid. The Longbridge site could then be redeveloped as a mod-

# Gore praises Malaysian pro-democracy protests

US vice-president backs reformers in snub to leader Mahathir

#### Peter Montagnon in Kuala Lumper

US vice-president Al Gore praised "the brave people of Malaysia" for taking their pro-democracy campaign to the streets in protest against Mahathir Mohamad, the country's prime minister and Asia's longest serving leader.

Mr Gore's intervention on the eve of the Asia-Pacific summit yesterday sent a strong signal of support for the reform movement of Anwar Ibrahim, Malaysia's sacked and imprisoned deputy prime minister.

But his speech to international business leaders - made in the presence of Dr Mahathir, who looked resolutely away - caused consternation inside the Malaysian delegation. "It is the most disgusting speech I've beard in my life," said Rafidah

Aziz, Malaysian trade minister. "We do expect lectures ... but not to run down the countries and incite

Mr Gore said democracy conferred stamp of legitimacy on economic

reform. "And so, among nations suffering economic crisis, we continue to hear calls for democracy, calls for reformasi. We hear them today right here, right now - among the brave people of Malaysia."

Mr Gore was standing in for President Clinton, who was in Washington dealing with the Iraq crists. But the White House said Mr Clinton had intended to deliver the same message.

However, Mr Gore's remarks added a further jarring note ahead of today's opening of the Asia Pacific Economic Co-operation summit. After the weekend's sharp exchanges between the US and Japan on trade liberalisation, the summit risks becoming a public

Hundreds of police armed with batons, water cannons and tear gas surrounded the centre where Mr Gore spoke, marching through the streets in a show of force to scare away Anwar supporters. Dr Mahathir had sought to keep Malaysia's political crisis off the Apec

agenda by suspending Mr Anwar's trial during the meeting. But Lloyd Axworthy, Canada's foreign minister, and Sergio Marchi, trade minister, raised it during the

ministerial portion, and had private

meetings with Wan Azizah Wan Ismail, Mr Anwar's wife. Madeleine Albright, US secretary of state, followed suit, provoking a heated public exchange with Ms Rafidah. Mr Anwar was arrested in Septem

ber under the Internal Security Act., which permits detention without trial. He emerged bruised after nine days, to be charged with 10 counts of sodomy and corruption. He has been dented ball.

Mr Anwar insists the charges have been fabricated as part of a conspiracy to keep him from challenging the administration of Dr Mahathir. His treatment has provoked unprecedented protests by thousands calling for an end to the 17-year rule of Dr

\$10bn Asia crisis fund, Page 4

# Italy faces rift with Turkey over call to extradite Kurdish leader

### By Jacobs Kiffer in Name and Christopher de Bellaigue in Ankara

Italy and Turkey were last night edging towards a serious diplomatic dispute as Rome appeared increasingly reluctant to extradite Abdullah Ocalan, the leader of Turkey's outlawed Kurdistan Workers' Party (PKK) to Ankara.

In the first foreign policy crisis to hit Massimo D'Alema's government since its formation three weeks ago, Italian ministers were weighing up the political and diplomatic risks in granting Mr Ocalan political asylum in Italy or sending him back to

Mr Ocalan, the main architect of ermed Kurdish nationalism in Turkey, was arrested by Italian police in Rome on Friday and the Turkish government is filing a legal request for his extradition. The PKK bas fought the Turkish army in a 14-year war that has cost 30,000 lives.

Mr D'Alema told journalists that the issue of whether to extradite Mr that a refusal to do so would trigger

court of appeal in Rome.

However, Interior ministry officials said final decisions on asylum and extradition would ultimately be taken at a government level and that political considerations would be taken into account.

Ismail Cem, Turkey's foreign min-ister, yesterday said Italian politiclans were trying to put pressure on the judges not to extradite Mr Ocalan. "I think there is a bias in some political circles against Turkey." Adding to the tension over the

issue was the revelation that inmates in a Turkish jail had "taken hostage" an Italian inmate, demanding Mr Ocalan's extradition to Turkey. Mr D'Alema said his government would "not succumb to pressure or blackmail" in dealing with the Qualan case.

Lambarto Dini, Italy's foreign minister, is thought to be keen to extradite Mr Ocalan to Ankara, fearing it expected the cabinet to adopt the

Ocalan was "a complex and delicate a serious diplomatic and trade dismatter", and would be judged by the pute between two leading Meditarraneen countries.

However, several parties in the ruling coalition, including the communists and the greens, support the Kurdish cause and a decision to extradite Mr Ocalan to Turkey could rigger tensions within the new ruling coalition.

Moreover, if Mr Ocalan is sent back to Turkey, police can expect serious trouble in Rome where more than 1,500 Kurds are already protesting against his arrest. A major demonstration is expected today. Mr D'Alema hinted at his unesse

over extraditing Mr Ocalan by underlining that the Italian constitution rules out extradition of criminals to countries such as Turkey which still have the death sentence.
Turkey has been moving to over come this obstacle. Its justice ministry yesterday completed a draft law to abolish the death penalty and said

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Features

Letters .

Microsoft chief executive Bill Gates yesterday gave evidence on video

at his company's monopoly trial. Report, Page 6

Europe today

Most parts of Scandinavia will be dry. The Low Countries will have wers. Germany, Austria and

break out later in the north-week

showers and these will be heavy and prolonged in the east with the risk of thundery downpours. East-

places. Eastern Europe will remain cold with snow at times. Northwest Europe will be mainly dry and cold, with the exception of a few

well scattered showers. Scandiruvte will be cold with unow show

Five-day forecast The Mediterranean will be very showery, the showers prolong with thundery downpours in

rorie ever cela liw brah but many parts will be dry. Most of France will be dry but rain will

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# DaimlerChrysler

US\$46,000,000,000

DaimlerChrysler AG

Exchange Offer for all outstanding shares of

Daimler-Benz Aktiengesellschaft

Deutsche Bank acted as Dealer Menager

# DaimlerChrysler AG

**Global Registered Share Program** 

Deutsche Bank

acts as German & Co-ordinating Registrar and Global Co-ordinator

## US\$75,000,000,000

### **Daimler-Benz Aktiengesellschaft**

### **Chrysler Corporation**

# DaimlerChrysler AG

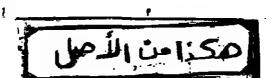
Doutsche Bank

acted as Joint Financial Adviser to Daimler-Benz Aktiengesellschaft

Deutsche Bank







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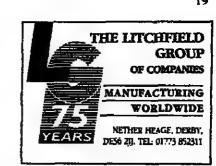
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THE DESIGNATION AND

TUESDAY NOVEMBER 17 1998



INSIDE

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**Oracle and Microsoft clash at Comdex** Microsoft and Oracle, the two biggest groups in the software industry, have sparred over the sector's direction for years. Things have come to a head with Microsoft's launch, at Comdex, a trade fair, of software that will compete head-on with Oracle's database products. Page 21

Ciba-Clariant link fails to impress Last week's announcement of the tie-up of Ciba Specialty Chemicals and Clariant has failed to arouse the sort of investor enthusiasm normally expected after a merger between the two biggest companies in an industry. Page 20

Cereals farmers braced for bad news The European Commission's proposals for careals inclustry reform have spread gloom among farmers across the continent. Most countries have doubts about the plans, which include a 20 per cent cut in guaranteed prices paid when markets dip. Commodities, Page 36

Dixons halls free Net service Dixons, the UK's largest high street electronic retailer, says its recent launch of Britain's first tree internet service has been spectacularly supcessful. This could have profound implications for the UK internet market, Page 28.

Bangkok pays price for raily
The 11 per cent decline in the Thai stock merket last week, the largest such retreat in Asia, was the price of success. After the SET index's 82 per cent run-up since its 11-year low on September 4, some profit-taking was bound to set in. Emerging Market Focus, Page 52

Citigroup creates one operating body The two new heads of Citigroup's corporate and investment banking arms have created one bperating committee to oversee the Citibank corporate bank and Salomon Smith Barney, the investment bank. The move is seen as the first step in the integration of the corporate and investment banking businesses. Page 21

End of row lifts German bank shares The share price of Bayerische HypoVereinsbank, Germany's second largest bank, rose by more than 4 per cent as investors expressed relief at the apparent end of a public row between two of the bank's creators. Page 20

Beeson considers takeover hids Beeson Gregory, the UK stockbroking and corporate finance house specialising in smaller companies, is considering several takeover approaches. The approaches are believed to have come from rival firms in continental Europe who are seeking to expand in London. Page 28.

Crompton Greaves eyes buy-back Crompton Greaves, one of India's biggest man-Nacturing groups, has suffered like other Indusal concerns since india's economy began to slow two years ago. Last week's announcement by Kewal K. Nohrie, chairman, of plans that may lead to a share buy-back programme, is a

# GM may ask \$10bn for Delphi

that have plagued GM in

Car maker vows to shed parts operation within a year

General Motors yesterday pui a price of \$8bn to \$10bn on its parts making operation, Delphi Automotive Systems, and Delphi, delaying efforts to make it more profitable. According to a filing with for Delphi stock. shedding the business before the Securities and Exchange the end of next year despite Commission yesterday, mease among labour unions. strike in June and July left The move would cut Delphi Delphi with a loss of \$123m in free of GM just as labour the first nine months of this agreements come up for reneyear, compared with a \$736m profit the year before.

Delphi has made no secret of Details of the separation its desire to cut costs to make came as GM announced its itself more competitive with intention to raise \$1.5bn through an initial public offerother, stand-alone parts com-panies, most of which are noning of Delphi, selling 15-19 per cent of the company. It would The bad labour relations then shed the rest of its stake

before the end of 1989, either

to swap their existing shares

The United Auto Workers union, which represents more than half of Delphi's North American employees, is thought likely to resist any attempt to separate Delphi workers from the broader GM labour pact when the threeyear agreement expires next

Delphi said yesterday it was in discussion with unions but would not comment on whether it would seek to negotiate its own labour pacts sepa-

recent years have also hurt by distributing shares to GM rately from GM. Any attempt Delphi, delaying efforts to stockholders or allowing them by Delphi to squeeze greater by Delphi to squeeze greater concessions out of the UAW would run counter to other makers had spun off parts operations, said Dong Fraser, a former chairman of the UAW.

Workers at two such compa nies, American Axle and Detroit Diesel (both formerly part of GM), were given the same terms for a period of three years, with an option to move back to the former par-

Asked whether Delphi could break away from that pattern. he added: "They may want to,

create better labour relations one of the considerations behind the spin-off of Delphi, according to yesterday's regu-latory filing. Delphi also said that it planned to become far less dependent on sales to General Motors

The company generated 18.3 last year from customers other than GM, up from 15.9 per cent

A strike at a Delphi parts plant earlier this year, which helped bring all of GM's North cut into its business with its parent, lifting sales to other

# France **Telecom** relies on alliance for growth

France Telecom aims to generate a third of its revenues from international activities by 2006 by capitalising on its Global One alliance with Deutsche Telekom and Sprint of the US, Michel Bon, chairman, suid yesterday. The telecommunications

company, which generates revenues outside France, saw revenues from its domestic fixed-line operations fall 5.4 (\$12.27bn) in the nine months to the end of September. Revenues were hit by the big reductions in tariff charges France Telecom made to rebalance prices and meet competition. Mr Bon said the main impact

of the reductions was now behind the company and that he expected revenues from fixed-line operations to begin to rise again next year. But France Telecom wanted to see international operations, particularly in Europe, contribute 15 per cent of revenues by 2001, rising to a third within five years. Further growth would come from the expansion of mobile telephone operations and from its on-line operations.

Mr Bon was speaking in London during the presentation to investors of a FFr50bn offering of shares and convertible bonds that would see the state's stake fall from 75 to 62 per cent.

The company is increasing

its share capital by 5 per cent

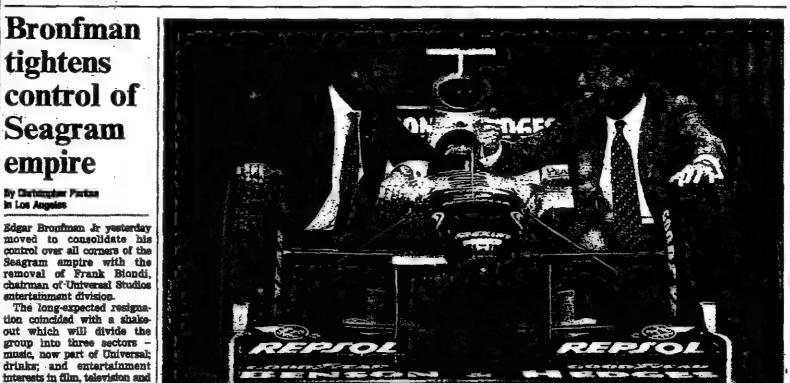
to raise FFr20bn. Mr Bon mid FFr10bn of the new funds would be used to pay for the development of its international operations, centred on the Global One alliance, and on Metroholdings, its threeway UK venture with Deutsche Telekom and Energis, the UK telecommunications group. The remaining FFr10bn of new proceeds will be used to pay for a 2 per cent stake in Deutsche Telekom, part of an exchange of shareholdings between Europe's big two tele-

long-standing partnership. Mr Bon said Indications that the price range would be FFr350-370 per share were entirely dependent on the company's share price in the mar-ket before a final price was set at the end of November.

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come operators that seals a



It ended a long period of discord between the two men

# Moody's looks at downgrading Nissan and Mitsubishi debt

US rating agency's move could raise cost of borrowing for car groups

dened by large debts.

"This is significant for both

groups," said Christopher

Richter, automotive analyst at

HSBC Securities in Japan.

"Mitsuhishi Motors has gear-

matures soon and needs to be

would make it even harder to

find new financing and would

Moody's said it was con-

cerned about the continued

raise the cost of borrowing."

Moody's, the US ratings and Steve Kalagher, the heads agency, yesterday warned that it was considering downgradtake up similar positions in ing the debt of Nissan and Mit-subishi Motors, the Japanese The moves left in doubt the future of Casey Silver, the film sutometive groups, to non-

studio chief whose productions investment status. this year have left Universal in The move would prevent many international investors holding the groups' bonds, dealing a serious blow to both merket there.

Meet Joe Black, a costly companies, which are bur-

drama starring Brad Pitt. failed to live up to expectations when it opened at the weekend in third place in the box office rankings. The highly-anticipated sequel to Babe is being re-edited after lukewarm ing of 550 per cent and Missan 300 per cent. A lot of their debt responses from preview audi-

theme parks.

and reflected increasing pres

sure on Mr Bronfman from

Wall Street and family mem-bers, notably his uncle Charles

- keeper of the family fortune

to improve results, according

Ron Meyer, a former talent

agency executive and now

chief operating officer at

Universal, takes charge of antertainment and will report

As expected, Doug Morris,

music chief, and John Hunter

of the wine and spirits arm,

to Mr Bronfman.

the hierarchy.

to people close to the

While restructuring had been expected to follow the refinanced. A downgrade \$10.4bn acquisition of the Poly-Gram music and film business Mr Biondi's departure had been predicted since last year after Mr Bronfman set about disposing of most of Univer-sal's TV assets without telling

Even before that, the rela- financial exposure to nontionship was strained as consolidated affiliates. efforts to improve Universal's

tionships with dealerships and is paying Libor. Toyota's credit suppliers and we need to establish how much they will have to support these affiliates," said Takahiro Morita, senior vice-president at Moody's in

Mr Morita said the review would include an assessment of the strengths of the companies' relative keiretsu, or business groupings. Nissan is part of the troubled Fuyo group, while Mitsubishi Motors is part of the stronger Mitsubishi

Yoshikazu Hanawa, Nissan president, said his company would strive to avoid a down-

"We are making efforts to reduce our interest-bearing debt and these are proceeding well, so perhaps the problem is insufficient explanation on our part," he said.

Analysts said about half the reviews end in downgrades. The process normally takes

economic deterioration in Asia, and particularly Japan, as well as the groups' possible Merrill Lynch estimates that Nissan and Mitsubishi are having to pay more than 140 basis "A lot of the automotive groups have important relawith Toyota, their rival, which

# Boyden Interim Executive

rating is Aal, compared with

Reas one notch shove non-

investment grade, for Nissan

and Mitsubishi. Nissan's

shares closed unchanged at

Y333, while Mitsubishi's rose 8

Last month, Nissan revealed that 10 banks had provided it Lex, Page 18

per cent to Y301.

Acquisition

- Crisis/Turneround

- Privatisation Uncertoin futura

Clasure-Self Off

- Start Up

- Sudden Departure



line aimed at offsetting the

the government sponsored

ing to extend up to Y100bn of

loans to Nissan.

tight financing environment. Japan Development Bank.

Boydes Interim Executive ritations across of industri

intended to maintain the final Boyden Interim Executive dividend at 7p, making 10p for

Contact: MARTIN WOOD or JULIA CANDLISH

Tel: 0171 222 1010 Fax: 0171 222 2215

- Ican McKlemon, CEO - Leader Group

of handling change

at a cost roughly half

COMPANIES IN THIS ISSUE

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	BMW	1	Mitsubishi Motors
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41	Baily	20	NTT .
()	Barlow	21	Netscapie
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MARKET	S	TATISTIC
Benchmark GoVt bonds Bond houses and options Bond prices and options Bond prices and pilots Commodities prices Dividends announced, UK EMS currency rates Euro prices Euro prices Eurobond prices Phed laterest indices	34 34 34 36 28 35 33 34 34	Emerging Market bonds FTSE Actuaries share in Foreign exchange Sits prices London share service Managed funds service Money markets New Intl bond Issues Recent issues, UK Short-term int mass Stock markets at a glass
STACEPLA World indicas	. 60	LIS Interest FETES

#### forecast cut 7 per cent off the CROSSWORD, Page 36

down at 101p. Sir Brian Mottat, chairman the poor first half performance scommic crisis.

ing conditions improve.

British Steel yesterday blamed company's product range had a 24 per cent cut in first half fallen by 5-15 per cent since pre-tax profits on tumbling the first half ended in early European prices, and forecast October, and by up to 30 per was being badly affected by a least for the way profes trad. a loss for the year unless trad- cent over three months.

British Steel blames profit fall

on tumbling European prices

The pre-tax profit of £108m reflected a surge of cheap order book has been basically (\$179.28m) compared with imports, which would increase that for the last nine months or £148m in the first half of last if Washington agreed to so, and now we are starting to year. But the gloomy full year demands from US steehnakers see signs of a decline in all our share price, which closed 74p against Japan, Brazil and Rosela Sir Brian called on the Euro-

and chief executive, attributed pean Union to accept similar demands to be tabled shortly to an upheaval in world steel by Eurofer, the EU steel-maktrading - including a surge of eas' association. "We are not imports into the European targeting any particular coun-Union – caused by the Asian tries for anti-dumping measures, we are simply asking for The company was also hit by a level playing field," he said. losses at Avesta Sheffield, the
Anglo-Swedish stainless steel

He was backed by the Iron
and Steel Trades Confedera-He was backed by the Iron

and Eastern Europe," said

the UK's economic slowdown He said the price falls and a stronger pound. "Our markets." he said. He added that the company was considering closing its

main plants for an extended Christmas break and more than 1,400 workers would go in the second helf. The board announced an unchanged interim dividend of

specialist majority-owned by tion, the main UK steel union. British Steel, where low prices "The government must act Pater Martin, Page 16 and heavy restructuring costs against cheap imports coming the restriction in the restriction of the restric **NEWS DIGEST** 

GERMANY

# Stinnes head dismissed over plans for takeover

Veba, the German industrial group, has dismissed Erhard Meyer-Galow, head of its Stinnes distribution and logistics division, following a boardroom clash over his plans for a DM1bn (\$591.9m) hostile takeover in advance of the partial flotation of the subsidiary next year. Mr Meyer-Galow was relieved of his position after refusing to back down from plans to buy a foreign quoted company, which were opposed by Veba's finance department.

Although Veba would not comment, those familiar with the matter said the company feared the takeover would have damaged Stinnes' profitability and hit Veba's share price. An initial public offering of 49 per cent of Stinnes is to take place in the second quarter of 1999 with the remaining shares sold over the following three years. Analysts value the IPO in the low billions of D-Marks.

The new chairman of Stinnes is Wulf Bernotat, previously head of Veba's oll business. Before joining Veba in 1996. Mr Bernotat worked for 20 years at Shell, mostly in the downstream areas of marketing and distribution.

Last week Veba announced a dip in nine-month profits due to poor performance by MEMC, its silicon-wafer business, and continuing start-up losses at its telecommunications subsidiary. Net income fell 16.2 per cent to DM1.75bn, bringing an end to years of strong profits at Veba, which until recently was celebrated by investors as one of Germany's more dynamic big industrial companies. Frederick Stüdemann, Bonn

#### MANUFACTURING

#### Bally abandons flotation plans

The planned flotation of Bally, the Swiss luxury shoe company, has been abandoned. Oerlikon-Bührle, the Swiss conglomerate which makes everything from aircraft to vacuum pumps, said that because of the changing economic situation it had decided to abandon the planned Bally soin-off. Instead, it will either inject Bally into a strategic alliance or sell it to an investor with the backing of an

Oerlikon-Bührle has been struggling for years to turn round Bally, one of the most famous names in the shoe industry. Efforts have been hampered by management upheavals and a downturn in Asia.

In the first half of 1998 Bally's sales fell 18 per cent, to SFr381m (\$273.8m), and it reported an operating loss of SFr64m. The negative trends of the first half have been accentuated in the third quarter because of the Asian crisis, the costs associated with positioning the new brand and additional inventory writedowns. William Hail, Zurich

#### PUBLIC SERVICES

### Bouygues may seek partner

Bouygues, the French construction, utilities and telecommunications group under pressure from Vincent Bolloré, the Breton businessman, over control of group strategy, may decide on a new strategic partner for its Saur-Ck public services business by the end of this year. Olivier Bouygues, Saur chairman, said the operation, which will result in the partner taking a stake of up to 40 per cent in the unit, would be conducted via a capital increase. Based on a valuation released earlier this year of FFr6.2bn (\$1,09bn) for Bouygues' 84.75 per cent of Saur, the move could result in a capital injection of FFr4bn or more for the public services business.

Saur executives are anxious to position the company quickly to exploit opportunities arising as a result of a global trend towards privatisation of services such as water and sewage. Candidates for the holding are understood to include Electricité de France, which already has an indirect stake in Saur International, and two or three US and UK companies. Saint-Gobain, the French glass and building materials group, is expected to offload its 10.9 per cent stake in Saur-Cise.

Opérations de Bourse, the French market watchdog, has asked Bouygues to start amortising its mobile phone investments from 1998, rather than a year later, as planned. However, the group said it had already taken the change into account in previously published projections for a 1998 telecoms loss of about FFr650m. The company has a 34 per cent stake in Bouygues Telecom, France's third mobile phone operator. David Owen, Paris Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

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# Kvaerner warns of further writedowns

By Valeria Sköld in London

Kvaerner, the troubled Angle-Norwegian construction and shipbuilding conglomerate, vesterday warned it faced possible further writedowns following a NKr1.2bn (\$160m) one-off adjustment that wiped out nine-month pre-tax profits.

The company wrote off NKr450m on its long-term investments during the third quarter, mostly from its Sea Launch satellite joint venture with Boeing of the US. The rest stemmed from NKr224m in expected losses on projects, largely in oil and gas fields, and NKr 276m in goodwill and fixed assets.

The writedown reveals the results of a review of the company's books following the ousting last month of Erik Tonseth, chief executive. He departed amid falling profitability as the company struggled to remove linked to the acquisition of Trafalgar House in

Christian Bjelland, chairman and acting chief execu-tive, described the writedowns as realistic, but added Kvaerner could not guarantee the situation would not change. "We have recognised we have tried too much with too little over the nast two vears." he said. The setback turned nine-

month pretax profits of NKr903m into a loss of NKr1.2bn, including a NKr303m loss from the wriedown on its holdings in Norwegian companies Western Bulk and Bergesen.

Although the writedowns were expected. Kvaerner's shares fell yesterday by NKrll to NKrll8 on its fallure to reduce its net interestbearing debt load and fears of further writedowns.

Increases in working capital pushed net interest-bearing debt up from NKr12.1bn at end-June to NKr13.8bn despite the sale of NKrL4bn in assets for a NKr366m

Operating profit fell from NKrl.3bn to NKr726m as oil and gas operations plunged into the red and shipbuilding posted weak results at Kvaamer's Finnish and Norwegian yards. However, the company improved revenues from NKr58bn to NKr61bn. Mr Bielland blamed the

very, very poor" results on unexpected costs and adverse market conditions in in most of Kvaerner's hustness areas. But he said the results would not make the company default on its bank muts by year-end

net interest-bearing debt would reduce NKr8bn-NKr9bn by the year-end after the sale of John Brown Plastics Machinery and Kvaerner Ships Equipment and an expected improvement in its working capital in shipbuilding during the fourth quarter.

# TELECOMMUNICATIONS SPANISH GROUP QUELLS SETBACK FEARS AS EARNINGS RISE IN LINE WITH EXPECTATIONS

# Telefónica boosted by mobile growth

Telefónica, the Spanish telecommunications group, yesterday quelled rumours of a profit setback when it announced nine-month earnings in line with expectations and 15.2 per cent up on last vear. fast-growing Spain's

mobile telephone business provided the main boost to profits, offsetting the effects of competition in Spain's fixed-line telephone market and the economic slowdown in Latin America, where Telefónica has concentrated

per cent increase in operational revenues to Pta2,148bn. Year-on-year growth in Telefónica profits has slowed from 17.8 per cent for the first quarter and 16.2 per cent at the half-year

Earnings per share showed a smaller 10.2 per cent increase from Pta150.93 to Pta166.34, following a rights issue to finance the group's Latin American expansion.

María Rotondo, analyst at

Santander Investment, said

Pta163.35bn (\$1.14bn), on a 6 which were flat overall. It was now clear that mobile telephones had taken over as the main profit-driver, and Latin America had to be viewed as more of "long-term bet".

cent to close on the Madrid

The results sparked heavy buying of Telefonica shares. even though the profit increase was at the low end of some analysts' forecasts. The shares climbed 4.4 per

market at Pta6,350, recover-

ing much of the ground lost

The company said 37 per cent of its profit now came

from mobile telephones compared with 11 per cent in the same 1997 period. Net profits from the mobile business, in which Telefónica has a 70 per cent market share in Spain, almost quadrupled to Pta61.05bn.

By contrast, net profit at the group's international arm fell 21 per cent to Pta20.04bn, and operating earnings were flat at Pta215.4bn, showing an purchase of two regional last week on speculation increase of less than 1 per mobile businesses.

Hoechst

rose from Pta141.79bn in the same period last year to

This growth came mainly from Argentina, helped by the peso's link to the US dol.

The group more than doubled its investments in the period to Ptal.454.5bb mainly through a summer buying spree in Brazilian privatisations. when it headed a successful \$5bn consortium bid for the Sao Paulo fixed-line operator Telesp and another \$1.2bn

# Merger talk lifts Hoechst, Rhône

Shares surge as talk of a possible tie-up reaches fever pitch, write Graham Bowley and David Owen

Shares of Rhône Poulenc and Hoechst, the French and German pharmaceuticals groups, surged yesterday as rumours of a merger between the two rivals reached fever pitch. People close to the compa-

nies have said a deal is imminent, and according to one source, set to be announced "within days". Speculation that a deal was imminent was fuelled yesterday when it emerged that the French group had hired a second adviser. Goldman Sachs, to work on the deal. Shares in Hoechst rose 3 per cent yesterday to DM78.30, while Rhône-Poulenc shares ended the day in

cent. at FFr264.80. Uncertainty continued to surround the terms of the deal but it emerged yesterday that Goldman Sachs and Rothschild, which are acting for Rhône, have been in negotiations with Lazard

Paris up FFr8.70, or 3.4 per

Freres, which has repreented Hoechst. "This is going ahead. It is oing to put them in the top tier of companies. It will give failings. In particular, the them spending power and R&D fresearch and development] capabilities," said Larry Rosenberg at Renaissance Worldwide, a US management consultant.

Hoechst would not comment yesterday. Analysts

People close to the companies say a deal is imminent and according to one source it will be announced 'in

were divided on the wisdom of the deal. HMR, Hoechst's pharmaceuticals business, has fallen behind rivals in terms of R&D and new drugs, and analysts said a marger would not address its

group lacks a large presence in the US, the biggest drugs market in the world. However, both groups' agrochemicals business,

already strong, could be further bolstered by a merger. A further concern has been unrest within HMR, which is now Hoechst's main HMR was created from the

merger between Hoechst's pharmaceuticals business and that of companies in the US and Roussel Uclaf of France. But Hoechst is still struggling to integrate the three companie Analysts said the German

and French companies were a good fit, as they were of similar size and could adopt a pooling of interests merger procedure, which would have tax advantages. In Paris, analysts are sug-

gesting Rhône-Poulenc may have hastened to the altar by fears it could otherwise fall victim to a hostile bidder, lured by the group's attractive price/earnings multiple compared with

Pre-tex profit (DM tan) 92 93 94 95 95 97 1990

other companies in the life

sciences sector. If it were not for this, they suggest, the French group would prefer to wait until next year before consummating a marriage, giving its German counterpart time to offload more chemicals businesses, and possibly making it easier for Rhone to argue it should be not be a junior partner in any tie-up.

In terms of an industrial rationale for a merger, analysts believe Rhône's strong

current pharmaceuticals product portfolio would Hoechst's powerful distribution network.

They indicate a tie-up would also ease fears about what they see as a abortage of new products in the French group's pharmaceuticals pipeline.

They nevertheless see the group's vaccines unit, together with Hoechst's diagnostics business, as particular strengths.

HYPOVEREINSBANK PERSONNEL CHANGES STILL LIKELY

# Shake-up looms at German bank

share price of Bayerische HypoVereinsbank, Germany's second largest bank, rose by more than 4 per cent yesterday as investors express ed relief at the apparent end of a public row between two of the bank's creators.

However, banking sources suggested that a personnel shake-up at HypoVereins-The company forecast that | cards, since the compromise that was struck on Sunday failed to dispel the impres- Mr Schmidt's proposal to sion of policy differences at a increase the bank's risk prohigh level.

most vulnerable figures as ations of real estate projects, Eberhard Martini, a member of HypoVereinsbank's supervisory board and formerly the chairman of Hypo-Bank, which merged with Vereinsbank last September. The feud between Mr Mar-

tini and Albrecht Schmidt, HypoVereinsbank chief executive, was declared over on Sunday after a five-hour meeting in Munich at which the bank's supervisory board in Mr Schmidt.

The board also approved visions by DM3.5bn (\$2bn) They identified one of the this year to cover overvalu- denounced the man with

mainly in former communist eastern Germany. Mr Schmidt, former chair-

man of Vereinsbank, infuriated Mr Martini last month by blaming these extra risk provisions on mistakes committed by former Hypo officials. Two Hypo-Bank subsidiaries, Hypo-Real and Hypo-Tecta, ran the real estate projects, which flopped after the German mortafter unification in 1990.

Schmidt's accusations were baseless and publicly projects.

the new bank into two camps and cast a shadow over a merger seen in Germany as one of the most significant attempts at restructuring the fragmented banking sector.

sought to smooth over the differences by saying the extra provisions were necesto the hopes placed in it einsbank had used a differ- conceptual reorganisation ent method of calculation to with a corresponding change Mr Martini said Mr that employed by Hypo-Bank in management responsibiliwhen valuing the real estate

Banking sources said Mr Observer, Page 17

whom he had created Martini had not spoken HypoVereinsbank as unfit to at the supervisory board's run a bank. The dispute split meeting, which ended with Mr Schmidt declaring that "the air is now clean". Although the board did not discuss whether Mr Martini should resign, he could leave his post soon with little if any loss of face since he is The supervisory board already 64, the sources said.

The board made clear that some fali-out was certain by declaring that HypoVereins bank would carry out "a

# Ciba-Clariant link fails to impress

Merger of chemical groups seen as offering few advantages, writes William Hall

I hen the two biggest seen primarily as defensive. Companies in an "They were both fearful industry announce that they might not be able they are merging, laying off to reach their financial goals several thousand staff and and felt they stood a better taking a hefty restructuring chance by working together charge, their respective rather than beating each share prices generally soar. However, last week's announcement of the merger of Ciba Specialty Chemicals Basle chemical industry and Clariant has failed to generate the same sort of

investor enthusiasm. Although Ciba Specialty Chemicals shares jumped initially, they have been drifting lower since then, and Clariant's shares have dropped 25 per cent below their price on the eve of the merger - despite a rising

Swiss stock market.

That is hardly a ringing endorsement of the creation of the world's biggest speciality chemical company, with sales of SFr18bn (\$12.9bn), a staff of 55,000 and operations in 120 coun-

The merger is designed to generate SFr600m in annual cost savings by 2001, primarily as a result of improved efficiency and a 5 per cent reduction in staff. It should improve earnings by the year 2000, and the group's medium-term targets are to increase revenues 50 per cent faster than global GDP growth and achieve a 20 per

cent operating margin. merger. The new group's tarmerger. The new gets are remarkably similar Zeneca's decision to sell its to the old targets of Clariant speciality chemicals busiand Ciba, and the merger is ness last week, it is still not Bank Vontobel believes Ciba of the merger may have been

other up," said one analyst. It is hardly a novel idea. A glance into the history of the

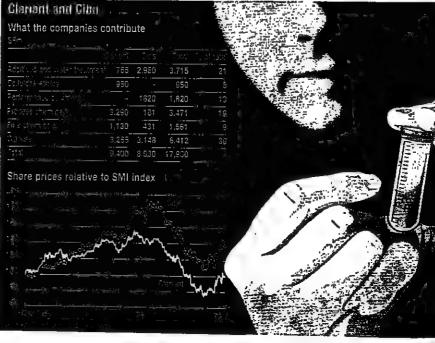
Sandoz - the forerunners of today's companies - ran a successful dyestuffs cartel for 50 years until the competition authorities broke it un in the 1950s. Both companies reported disappointing third-quarter sales figures, prompting analysts to downgrade their

shows that Ciba, Geigy and

earnings estimates heavily for this year and next. Geneva's Pictet & Cie. which had expected Ciba's 1998 earnings per share to in this area - less than 4 per match last year's SF18.4, has cent of sales in Clariant's cut its forecast to SFr6.9. It has also reduced its 1999 forecast by a third, to SF18.5. Other brokers expect Ciba to earn less in 1999 than it did

in 1997. Clariant's profit outlook is better, primarily because it has not finished reaping the benefits of last year's acquisition of Hoechst's speciality chemicals business, which tripled its size.

global speciality chemicals



clear size is as critical as in has more to gain than Clarpharmaceuticals. Clariant intends to focus

on high-value-added speciality chemicals with innovative properties. But the cost of research and development case - is far less of a burden than in the pharmaceuticals industry, where the size of investment needed to discover potential "blockbuster" drugs favours the industry giants.

also seems unlikely that the merger will reduce the 16 times projected year 2000 pressure on margins. There are limited areas of overlap between the two. There are other reasons and the real threat for specianalysts are sceptical. The ality chamical companies is on enterprise value, it is coming from competitors in trading on 7.7 times proj-But many analysts remain business is highly fragumenthusiastic about the mented, and despite rapid unenthusiastic about the mented, and despite rapid the increasing pricing power before interest and depreciations.

In common with other to its sector.

iant from the merger. He had expected the old Clariant to expand into fastergrowing and less cyclical markets. Instead it is increasing its exposure to mature cyclical businesses, such as textile dyes and chemicals, paper dyes and

by the global slowdown, The final reason the stock market is wary about the merger is valuation.

classical pigments, sectors

which will be more affected

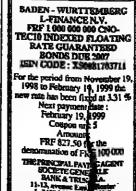
Goldman Sachs believes the new group is trading on earnings, which puts it on a 15 per cent premium to its European peer group. Bank Vontobel argues that, based tion, a 40 per cent premium

analysts, Daniele Scilingo of The cost-cutting benefits

underestimated in order not to antagonise unions in Germany, which is likely to feel the brunt of any cuts.

Nevertheless, the enlarged Clariant will have to run fast over the next couple of years if it is to avoid disappointing the stock market.

Chain reaction, Page 16



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# implant char Almon Company

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registration -- -- -- -- --South till the ca T-44-14 (12) AND ··· er busility min prematurate and gar bei The Billion " # 11 ma of the fact te and additions tritant tin profit train Mariate A.

ACOUNT ASSESSMENT ानुसम्भाव केलि हो tary file residen

# Citigroup creates single operating body

first step in the integration ment banking businesses, investment banking busiwhich have proved a prob-nesses led to the forced reslem area following the ignation earlier this month

omdex, one of the com-

puter industry's largest trade fairs, has become

the battleground for a long-

anticipated clash between

the two largest companies in

Microsoft and Oracle are

on a collision course with

each attempting to under-

mine the other's stronghold Microsoft sims to unseat

Oracle as the leading sup-

ulier of database software,

while Oracle is determined

to undermine Windows,

dicrosoft's computer operat-

Bill Gates and Larry Elli-

son, the software industry's

best known billionaires,

Copened the Condex event in

Las Vegas, attended by more

than 200,000 industry repre-

sentatives, with sharply con-

trasting views of the future of computing that support

their companies' marketing

Sunday night, Mr Gates,

Microsoft chairman and

chief executive, described a

world in which the personal

computers running the

Microsoft Windows operat-

ing system become ever

more powerful and ubiqui-

what systems have been able

to do in the past. The PC

model has won on the desk-

top. It will prove itself again

[in other areas]," he said.

"PCs will go far beyond

In his opening address on

atrategies.

ing system software.

the software industry,

We are in the process of being the two staffs will con-

memo to staff, dated Novem-Difficulties in bringing

By Tracy Corrigan in New York

Michael Carpenter and

Water Manager than 1 the Work

Michael Carpenter and Water Manager than 1 the Manager than 1 the Manager than 20-strong members of Citizence and ."It wasn't working," said Sandy Weill, co-chairman of Citigroup, who was thought to have been grooming Mr

> Mr Carpenter and Mr Citigroup, is overseeing the

of Salomon Smith Barney. committee which will meet weakly. In the memo, Mr the first sign that decisions feelings among investment Carpenter and Mr Menezes wrote that they were "committed to resolving decision

There will also be quarterly meetings which will have a more healthy rela- week of Steve Black, widely

walf-and-see attitude but it's attempted to soothe any hurt are being made."

ther hit by an interview in The committee will look at the New York Times on Sunmarkets. "I think banks incorporate managers from tionship on the corporate

bankers, in an effort to ease However, morale among tensions between the cominvestment bankers was fur- mercial and investment

banking sides. Among the operating comhow to create "the most day with Citigroup co-chair-mittee members are co-heads effective and efficient organisation going forward." the said that investment banks zio and Arthur Hyde, who "sort of fly in and fly out" of are running that business seen as another casualty of the international business, it side with their customers the integration difficulties.

Mr Gates' speech on Sun-day night made no mention

of this potential challenge

Instead, he focused on how

Microsoft could extend its

operating system with new

features such as technology

to improve the resolution of

of improved user interface

using both voice recognition

Despite their differences

both executives took up one

common theme, Both see

need for greater simplicity in

achieve this through the use

of sophisticated technologies

that enable computers to

adapt to the way users work,

ing computers to specific

tasks - whether they be

database servers or deaktop

However, both are depen-

ers of computer systems to

with most of the world's

network computers.

While Mr Gates intends to

and natural language.

text on computer screens. He

#### **NEWS DIGEST**

#### SOUTH AFRICA

# **Barlow to restructure as** net profits for year fall

announced a slight decline in net profit for the year to September 30 but said its extensive programme of disposals and restructuring would yield an improvement in earnings in 1999. Net profit excluding exceptional items fell 1 per cent to R680m (\$118.3m) from R685m the previous year, on turnover of R20.54bn, up from R19.39bn. Tony Phillips, the new chief executive, said difficult conditions in South Africa were offset by growth in Europe and the US. international operations accounted for 57 per cent of Barlow's net profit, he said, compared to 37 per cent in 1997. Mr Phillips said Barlow, like other big South African companies, was considering moving its primary stock exchange listing from Johannesburg to London, but dis-

cussions were not at an advanced stage. "We're a lot hap-pler than we were a year ago with the structure of the group," Mr Phillips sald. "We have modernised and removed substantial costs from our South African manufacturing facilities. We've disposed of underperforming and non-core businesses and substantially strengthened the balance sheet. We're expanding in Europe, in the US, in Russia and in Africa."

Recent deals completed by Barlow include the sale of half its stake in Comparex, the information technology group previously known Persetel Q Data Holdings, for R1.38bn. The group is also selling its paper businesses in Europe and its South African building materials operations. Barlow's capital equipment division, which supplies Catrpillar machines in various African and European markets, Is the biggest contributor to turnover and profit. The com-pany said strong growth in Spain and Portugal and expan-sion in Africa had more than compensated for lower

income from South Africa itself. Dividends for the year were unchanged at a total of 124 cents. Victor Mailet, Johannesburg

#### ELECTRONICS

#### Sales rise boosts Tadiran

Tadiran, Israel's leading electronics company, yesterday said net income rose 13 per cent during the first nine months, and was fuelled by increased sales from more

profitable products and projects.

Net income climbed from \$49.8m in the first nine months of 1997 to \$56.3m in the period this year. Revenues rose 10 per cent from \$855m to \$864m over the same period. Analysts said Tadiran had successfully offset the loss of its biggest domestic client last year with an increase in exports, which now account for about 57 per cent of the group total.

Earlier this month, Koor Industries, Israel's biggest holding company and Tadiran's parent, launched a plan to take Tadiran private by buying all outstanding shares for Shk134 a share. The move is part of Koor's strategy of consolidating and rationalising its high-growth technology assets. Shares in Tadiran closed down 23 per cent yester-day to Shk129.6 in Tel Aviv yesterday. The shares are also listed on the New York Stock Exchange. Avi Machils, Jerusalem

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heads of Citigroup's corposingle operating committee to oversee the Citibank cor- timus to operate separately," porate bank and Salomon Mr Menezes and Mr Carpen-Smith Barney, the invest- ter wrote in an internal

Victor Menezes, the two new US financial services group. rate and investment banking integrating the staff organibusinesses, have created a sations, but for the time

ber 13. of the corporate and invest- together its corporate and

Dimon to succeed him.

Menezes have been charged with accelerating the integration of the two businesses. Deryck Maughan, the former head of Salomon Brothers and newly appointed vice chairman of

Software giants put their case for world domination

items rapidly".

Microsoft and Oracle do public battle at computer industry fair, report Roger Taylor and Louise Kehoe cated to specific tasks. Spe- the next couple of years. cifically, he announced plans to work with leading computer manufacturers to develop computers that run Oracle's database software without the need for a sophisticated operating sys-

> Microsoft and Oracle is not new. The companies have been sparring over the direc-tion of computing for several years. But the rivalry has come to a head with Microsoft's launch, at Comdex, of powerful database software that will compete head-tohead with Oracle's flagship

tem such as Microsoft's Win-

r Ellison used his keynote address to press Mr Ellison favours the more home his view that radical approach of dedicate which computers dedicated

make the Microsoft Windows regard, Microsoft is clearly

"internet computing" - in to specific tasks are linked via standard networks would displace the use of general purpose PCs and dent upon the manufacturinternet computing would further their goals. In this

operating system increas- ahead of the competition. ingly irrelevant, he pre-The company has strong ties dicted. Speaking in advance of his presentation yester-day, Mr Ellison described a Yet Mr Ellison maintained battle between "Windows that his new approach to and the internet every- computing will appeal to where". He believes internet computer makers because it computing will establish itself as the clear winner in, their costs.

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CHASE

October 1998

in the





# T. Eaton chief goes as retailer issues warning on earnings

These would range from tive of Oracle, the second

powerful servers using mul- largest software company

chairman and chief execu- of PCs was unsustainable

on drawn: Larry Ellicon wants riow sixuputers dedicated to specific tasks

and Microsoft's arch-rival,

argued in his Monday night

speech that the proliferation.

By Scott Morrison in Toronto

announced the resignation from the hard goods busiof its chief executive and ness and offering brand warned that third-quarter name fashious to attract earnings would be less than expected due to lower than anticipated sales and pressure on margins.

Canada's second oldest retailer, which emerged from bankruptcy last year, said overall sales in the third quarter ended November 7 continued to grow although pany had forecast. Eaton ions continued to increase, but sales of hard goods had

department stores, is its third-quarter results. It and that new leadership was T. Baton, the Canadian old-fashioned image by renoyesterday vating stores, withdrawing younger shoppers. But Jim Okamura, a retail analyst with JC Williams Group, suggested that the company

tiple microprocessors to tiny

In contrast, Mr Ellison,

hand-held devices, he said.

Canada Stores renovated to attract younger customers

has yet to clearly define its new image.
The company attributed lower-than-expected results to a restructuring provision with the exit from hard goods, promotions to clear said sales of priority fash-invantories, and a modera-ions continued to increase, tion of consumer confidence.

Katon, which was expected fallen off more quickly than to earn 35 cents a share in nricipated. the third quarter, would not board felt that Mr Kosich pany revised earnings fore-Eaton, which operates 64 provide more details about had achieved those goals casts downwards.

Some of the additional

cover liability as a result of

prescription drug pricing liti-

gation. The company said

Both Moody's and Stan-

Bristol-Myers Squibb, the sgreed settlement totalling

company, said yesterday breast implant litigants.

that it would take a fourth. Dow Corning went into quarter charge of \$400m. Chapter 11 bankruptcy pro-

\$500m to increase its tection in 1995 as claims

reserves for liability in mounted and a settlement is reast implant litigation. seen as a lynchpin of its
The charge is expected to bankruptcy restructuring.

cover the final cost of its Bristol-Myers shares rose breast implant product lia- .\$\frac{1}{12}\$ to 111% in early trading

should allow it to "complete reserves may also be used to

The charge will be used to that an estimated \$375m-

cover anticipated payments \$435m of the reserves, after

under a 1995 global settle- tax and additional expected

ment and also the cases of insurance recoveries will be

women who opted out of for breast implant liabilities.

Most breast implant cases dard & Poor's, the US-based against three leading manuratings agencies, reaffirmed

statement that the charge

C\$44m, on revenues of C3317m. It said it expected to fiscal 1999, but given restructuring costs, declined

Raton also ennounced the resignation of George Rosich, who was appointed vised restructuring and develop a new business strategy.

attempting to update its reported a second-quarter appropriate to move the tical of Mr Ballantyne's claim that Mr Rosich's resign

profit warning. The chairplan would eventually show

because it would lead to

highly complex information

Instead, Mr Ellison pro-

posed a new approach in

which computers are dedi-

technology systems.

Issued at C\$15 a share durchairman, said yesterday the has been eroded as the com-board felt that Mr Kosich pany revised earnings fore-

# Bristol-Myers | Bad loans rise at to take breast | Venezuela banks

growth and the impact of US-based pharmaceuticals \$3.2bn with thousands of high interest rates. Bad loans have jumped 71 per from BS145bn in June to B\$250bn (\$440m) in October, according to the latest report from Softline Consultores, a leading financial consul-

4.78 per cent of the overall loan portfolio, up from only 2.26 per cent in January, sald With economic and politi-

cal uncertainty before presidential elections in Decemher, interest rates shot to an average 77 per cent in Seping economic growth and

facturers - Baxier Interna-tional, 3M and Bristol-Myers long-term debt rating. S&P - were covered by the 1995 settlement. Last week, Dow \$1.5m in cash, limited debt "There is very little credit balled out by the govern-demand," said Juan Carlos ment. Loan provisions are, Zorrilla, head of Benco Pro-on average, much better and settlement. Last week, Dow \$1.50n in cash, limited debt vincial, the country's largest regulators have tightened Corning, the largest manuard broad financial strength. bank, this month. Interest their control.

implant charge

The loan portfolio of Venezuela's banks has conted venezuela banks has content ve

head of Softline, "we expec the [bad loan] rate to hit

nal expiry date. The banking sector rejected the move as set rates that could weaken rather than strengthen

Venezuelan banks today are much more solid than in 1994, when half of the finan-

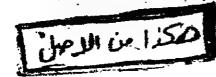
# DAIMLERCHRYSLER

Goldman Sachs congratulates
Daimler-Benz AG
and Chrysler Corporation
on completing
their historic merger.

Goldman Sachs acted as financial advisor to Daimler-Benz AG.



CREDIT FI SUISSE BI



November 12, 1998

# **Chrysler Corporation**

has merged with

Daimler-Benz AG

to form

DAIMLERCHRYSLER

WE CONGRATULATE CHRYSLER
CORPORATION AND
DAIMLER-BENZ AG ON
COMPLETING THE WORLD'S
LARGEST INDUSTRIAL MERGER
TO CREATE DAIMLERCHRYSLER,
A NEW GLOBAL AUTOMOTIVE
LEADER.

DAIMLERCHRYSLER ORDINARY
SHARES ARE THE FIRST TO TRADE
WORLDWIDE WITH COMPLETE
FUNGIBILITY AND WILL TRADE
UNDER THE SYMBOL "DCX".

CREDIT SUISSE FIRST BOSTON
SERVED AS SOLE FINANCIAL
ADVISOR TO CHRYSLER
CORPORATION IN THIS
HISTORIC TRANSACTION.



Nikko closes

CONSUMER LOANS MOVE SIGNALS GROWING CONFIDENCE IN JAPANESE GROUP

# Takefuji set for first-section TSE listing

Takefuji. Japan's largest listing would broaden its shark" image and improve consumer loan company, shareholder base by attractwas poised to list its shares on the first section of tional investors, who are Tokyo's stock exchange, the often restricted to investing company said yesterday, in in the first section of the an unusual move that shows Tokyo exchange. growing confidence in the

Takefuji's shares are counter and not yet listed lors. on the second section, where companies usually trade would also lift the prestige of financials analyst at Deut-

ing more domestic institu-

At present, a high proportion of the company's equity is held by the founder's currently traded over the family and by foreign inves-

Takefuji, which has been sche Morgan Grenfell. The company hopes that a attempting to shed its "loan its name recognition.

unveiled strong half-year reported that the company results. Analysts yesterday said the planned listing illustrated how consumer finance was one of the few buoyant parts of the financial sector.

"The moment for the listing seems to be well cho-

Takefuji refused to Topix by about 40 per cent, comment on the plans, over the past year. The However, Nikkei, the shares yesterday closed at Last week, the group Japanese financial daily. Y7,750, up from Y7,200 the previous day. Analysts yesterday said would list in December, with

Warburg Dillon Read as lead that, in a depressed economy and crisis-ridden financial underwriter. This would be the first sector, Takefuji stood out time a foreign broker has with double-digit profit been used to list a Japanese growth and a positive outlook. group on the TSE.

The planned listing by

Fall from grace

The company forecast an A first-section listing sen," said Paul Heaton, Takefuji follows a recent increase of 11 per cent to surge in its share price, Y73.7bn in unconsolidated

which has outperformed the net profits for the full term "Takefuji is doing very well. The first-half year's results have been better than expected, so we are planning to raise our profit forecast," said Walter Althert, financial analyst at Jardine Fleming.

In the six months to September, the company increased its consolidated operating profit by 20 per cent to Y79.8bn (\$653m) and its net profit by 39 per cent

# HK securities operations

Nikko Group of Japan yesterday axed its Hong Kong securities and futures operations, dealing a further blow to the territory's financial services sector.

Nikko's retreat from Hong Kong is part of a global restructuring following the August share-swap agreement with Travelers Group of the US. The deal brought Nikko under the same roof as Salomon Smith Barney, which has a far bigger presence in Hong Kong.

The move follows closures similar overseas operations by Japanese financial institutions. Hong Kong has borne the brunt of the Japanese retrenchment.

Hong Kong has long been a key market for Japanese banks and financial institutions, but the recessionary environment - combined with a halt in capital-markets activity - has made it less lucrative in 1998.

Nikko signalled its retreat from Hong Kong at the beginning of the year when it closed its fixed-income department and reduced other operations. In September, it was the turn of the securities' research division. Regional offices were also

The latest closures affect Nikko Securities (Asia), Nikko Securities (Hong Kong) and Nikko Futures (Hong Kong). Order taking will continue until the end of this month. After that, business will only be open

for those closing accounts. The group plans to cease operations entirely on January 15, with the loss of about 100 jobs. This year has seen employ-

ment badly hit in Hong Kong's financial services sector, beginning with the collapse of Peregrine, the page Asian investment bank, in January through to cuts this month by Salomon Smith Barney and Barclays Capi-

investment banks and securities houses shedding staff includes Warburg Dillon Read, Merrill Lynch, ING Barings, Jardine Fleming and Indosuez WI Carr.

Nikko staff say their own fate was signalled in August, when the deal with Travelers Group was unveiled. "There's no such thing as a merger: one side takes over the other, and it's pretty obvious which side will get jettisoned where there's overlap," said one former employee.

# Home weakness hurts Kyocera

Kyocera, which makes high-tech ceramic products, suffered a sharp downturn in first-balf profits amid a fall in demand at home and severe price competition in many of its markets.

Group pre-tax profits fell 37 per cent to Y33.8bn (\$276m) on sales up 1.2 per cent to Y358.3bn in the six months to September. Net profits slumped 33 per cent to Y16.6bn.

Buoyant sales in some oversees markets partly off-set difficult conditions at home, where weak demand for telecommunications equipment and cameras held back sales.

Kyocera expects conditions to remain difficult in

domestic woes. The telecoms division, where demand for personal handy phone handsets and base stations declined, suffered a 9 per cent fall in sales. PHS was developed as a cheap alternative to cellular phones, but its

phone rates fell sharply. NTT, a key developer of PHS, recently transferred the business to NTT DoCoMo, its cellular phones arm, conceding that PHS would not survive as an alternative to cellular

Sales of fine ceramic parts dropped 2.5 per cent to from ceramic to plastic packages by a big custour. Kyocera plans to begin fall production of plastic packages in the second half.

Sales in the optical instrument division dropped 10 per cent, largely as a result of poor camera and video sales amid the Japanese recession.

Strong demand for its new 8-page-per-minute printer

Kyocera expects sales of Iridium handsets and GSM and CDMA handsets to contribute to a rise in secondhalf sales. However, in the full year a 3 per cent rise in sales to Y744bn will not offset a 34 per cent decline ini pre-tax profits to Y80bn and a 17 per cent drop in net

# Crompton Greaves looks for Indian summer with buy-back

The Indian economic slowdown has led to a restructuring to restore confidence at the industrial group, writes Krishna Guha

Asiump, its share price review of Crompton Greaves' company's balance sheet.

15 joint ventures, likely to indian accounting law does chairman announces a review and promises to get out of joint ventures that are not adding value - returning money to shareholders through a share buy-back

Conventional practice in the UK or US - but not in India, where buy-backs were only legalised this month.

The shake-up announced last week by Kewal K. Nohria, chairman of Crompton Greaves, is a sign of how far attitudes are changing under the economic slow-down.

Crompton Greaves is one of India's biggest manufacturing companies, controlled by the wealthy Thapar family. Like other industrial concerns, it has seen its profits and share price plummet since india's economy began to slow two years ago.

Pre-tax profits fell from Rs800m (\$18.9m) in the year to March 1996, to Rs206m last year. The company's share price collapsed from a peak of Rs263 to Rs17 in late 1997, before recovering to the low Rs30s. Shareholders including holders of Crompton Greaves global deposi-

company's profits back their confidence with a beavy burden on the parent fund a buy-back programme. It will give the signal for enhancement of the share price, "Shareholders will know I am not emotionally strached to these busi-

es," he says. Mr Nohria has restrucimprove productivity, quality and sales growth. In 1991, sion between marketing and business activities along product lines. In 1995, he reorganised these divisions into four strategic business units: power systems, industrial systems, consumer products and digital.

The latest review is different. "Restructuring is taking the perception of the shareholder as the main concern." he says. This means starting with Crompton Greaves' joint ventures in software, cellular phones and adhesive tape, formed after India began to open up its market

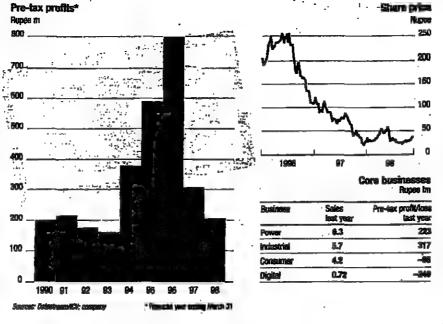
Only a couple are losstary receipts - are mutinous. 'making, but investment in Rs2bn I might get out," he Mr Nohria is trying to win their equity and debt puts a says.

company's balance sheet. lead to disposals that would not permit consolidated This drag became visible when profits fell from

Rs800m to Rs206m," says Mr Nohria. "People started asking why the hell are you using my money! He says the decision to

tured Crompton Greaves sev- form joint ventures was logieral times since taking cal at the time. After 1991, charge in 1985 in an effort to international companies became reluctant to license technology to Indian compahe ended the functional divi- nies without taking an equity stake. Joint ventures manufacturing, organising ensured Crompton Greaves would not be marginalised or cut off from the inflow of new products and processes. They also offered the chance to make seed-bed investments in new markets with high growth potential.

"It was a way of leveraging your name, your standing in the marketplace and brand equity," says Mr Nohria. A number of these investments have appreciated in value, for exemple, Skycell, the cellular phone joint venture in Madras. "I invested Rs250m [in Skycell]. People are offering me Rs1.2bn or Rs1.3bn. If I get



However, he admits that there is little synergy between the constellation of joint ventures and Crompton Greaves' core businesses only about three or four are strategic to operations.

The review, which will take between 12 and 18 months, will consider what to do with these ventures. Options include strategic sales and hiving off unrelated interests into a separate investment vehicle. This would relieve the burden on the parent company, which is going through a bad

Mr Nohrla insists the company is fundamentally ness units, consumer prod-sound, and blames the ucts and digital

low investment in power -Crompton Greaves' most important client industry. Before 1995, capacity was

increased annually 4.000MW to 5.000MW; in the past three years, capacity addition has been 2.500MW. he says. Public investment fell, but private projects did not take off. Mr Nohris hopes private investment Meanwhile, the power and industrial systems units will hunt for export markets.

He promises to step up efforts to restructure Crompton Greaves' two other busi-

recent slump in profits on telecommunications equip-low investment in power - ment - which are losing money.

"If some division does not stop bleeding I will probably give them no more chances," he says. "That will stop the drain on the profit my other divisions are making. He is convinced that focus

on profits and a more shareholder-friendly business structure will win back the markets' favour. "I made a very bold statement that by 2001-2002 the share price will be Rs200 plus. It was Rs81 when I made that statement." A few days later, Crompton Greaves is trading

# Decision on sale of NTT fourth tranche near

By Michlyo Nukamoto in Tokyo

the week whether to go to make the decision, ahead with the sale of a said. NTT, the telecommunica-

The finance ministry has already named Dalwa Securities, Goldman Suchs and SBC Warburg as global lead managers for the issue.

pressure to raise funds by selling assets to finance a series of economic stimulus packages and tax cuts adopted to kick-start the ailing Japanese economy.

The sale could raise more However, it has not yet than Y900bn (\$7.4bn) for the

NTT's share price has slumped in the past few months, from a peak this year of Y1.28m to a year-low of Y819,000 on October 5. The shares closed at Y923,000 yesterday. NTT has 15.9m shares in issue. Moves by investors to sell

their NTT shares in favour price competition and a compete in an increasingly

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The state of the state of

AND COME

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with the issue this year, tranche would have raised cellular phone subsidiary numbers. behind the fall.

NTT is expected to face flerce competition in most of its traditional markets and unlikely to enjoy the kind of growth expected of its cellular offshoot. Domestic telephone call

The finance ministry still owns 65.4 per cent of NTT, which has been urging the government to sell more of

frequently complained that government control has revenues have been hit by made it difficult for it to

decided whether to proceed government. However, the of NTT Docomo, NTT's decline in subscriber cut-throat market environment.

The Japanese government will decide by the end of the week whether to go to make the decision," he will decide by the week whether to go to make the decision," he will decide by the end of the week whether to go to make the decision," he will decide by the end of the week whether to go to make the decision, he will decide by the end of the week whether to go to make the decision, he will decide by the end of the week whether to go to make the decision, he will decide by the end of the week whether to go to a finance which saw its share price which saw its share price for the year to March. Previous attempts to sell then to be put off the sacroding to a finance which saw its share price for the year to March. Previous attempts to sell then to be put off the second half, with uncertainty in the US and European market adding to

However. market conditions have been relatively stable in the past few weeks. This year the finance ministry has set aside 1m NTT shares for a possible sale, rather than the 500,000 normally included in its annual budget proposal. I sales dropped as cellular profits to Y39bn.

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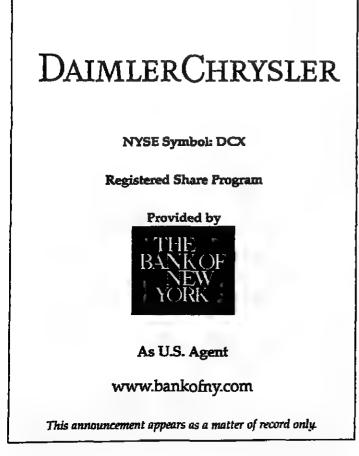
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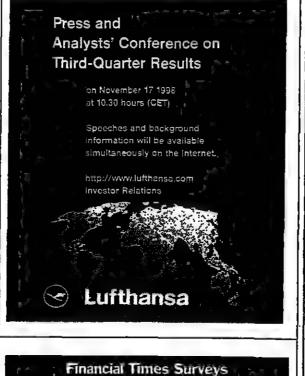
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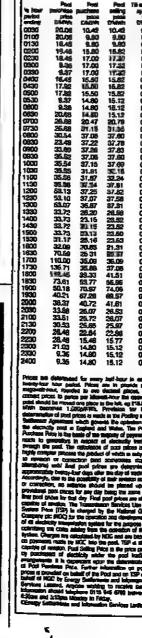
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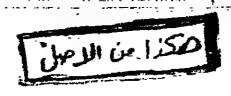
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Euromoney, September 1998 Issued by Deutsche Bank AG. ulated by SFA for the conduct of investr **Deutsche Bank** 



# More melodies than martinis

Losing the head of your entertainment division on gram shares down 24 per \$11bn bid to expand it sounds like bad timing, but that is what Edgar Bronfman Jr, Seagram chief execgraded its credit rating from utive, did yesterday when he announced the departure of Frank Biondi, chairman of Universal Studios.

The news is scarcely a surprise in a year when no Universal film has earned more than \$40m at the US box

been sealed by the critical created. drubbing of Meet Joe Black, The c the \$90m Brad Pitt picture this weekend's box office. and by last week's news that a \$90m Babe sequel had been postponed by editing delays. Mr Biondi's widely leaked departure is the latest in a series of blows for the drinks and entertainment combine since Mr Bronfman unveiled plans in May to buy Poly-Gram, the world's biggest music group. Currency to his original \$10.4bn offer price and Seagram's

hopes of raising \$750m by

expressed their opinion of the PolyGram deal, with Sea-Poor's Composite Index a global powerhouse. since the acquisition was announced. S&P has down-

above junk bonds. With the PolyGram bid scheduled for completion in the second week of December, five weeks later than expected. Mr Bronfman now faces the challenge of restoring investor confidence in His fate seems to have the company his grandfather

The crux of that strategy is to turn Seagram from a which opened only third at drinks business into one dominated by entertainment. Mr Bronfman began in 1995 by buying 80 per cent of the old MCA entertainment empire (now Universal Studios) for \$5.7bn. Universal's film business has since floundered, culminating in Mr Biondi's departure, but its smaller music division has thrived

Mr Bronfman, a part-time songwriter, has a love of music and is said to feel more comfortable with it as a business than the volatile, 20 per cent of PolyGram highly leveraged film indus- and Universal Music's

Investors have already electronics group, put its expressed their opinion of 75 per cent stake in Poly-Gram up for sale this spring, he jumped at the chance of cent against Standard & turning Universal Music into

> The acquisition will change the group from one that derives less than 60 per cent of its revenues from than 70 per cent dependent parks. Drinks falls from more than 40 per cent to less

The Bronfmans, accus- artists too. tomed to running Seagram as a family firm rather than a public company, will own 23 per cent of the new group against 37 per cent at present and Philips will become a sizeable minority shareholder with up to 12 per

Mr Bronfman is gambling that by adding PolyGram's 17 per cent of the \$38bn global music market to Universal's 6 per cent, he can cut their combined costs by at least \$275m a year. Seagram has hired Boston Consulting Group to advise it on the restructuring, which is expected to shed

www.ubs.com/e/pb/euro.html

A few senior posts have been confirmed, but details of other changes have leaked out in the press and the mood at both PolyGram and

the confidence of their often-

constantly reinvent them-

selves, that the damage

caused by six months in

which PolyGram and, to a

lesser extent, Universal have

acts or distribution deals

may not emerge until next

the financial benefits of the

restructuring will compen-

A fast and easy way to obtain euro-

information is just a mouse click away:

Mr Bronfman claims that

increasingly insecure as the Such uncertainty is damaging in a fiercely competitive market like music. need not only to motivate their employees but to win

temperamental recording So far, PolyGram and Universal Music appear to have emerged unscathed: Polv-Gram performed poorly in the first half of the year, but rallied in the third quarter and is on course for a strong fourth quarter. Yet music is

spirits and wine division's sales were in the Asia-Pacific

and that the only obstacle to

However, pessimists suspect that Seagram may have become the world's enlarged Universal Music

All the management attention on the entertainment side has left the drinks side as something of a backwater when the economic and cur-Almost a quarter of the

speculated that Mr Bronfman has little love for the wines and spirits division

has forced the whole indus-

Fortune Brands

business is profitable and generates strong cash flows, is slow-growing in the advanced economies and exposed to volatility in the emerging markets, where

Shaken and stirred

David Fleming, editor of Grand Metropolitan and Guinness to form Diageo, the world's largest drinks group,

try to reassess strategy. more than twice its nearest competitors, a presence in all the world's big spirits markets and an array of nie Walker scotch, Gordon's gin and Smirnoff vodka. Most analysts have assumed that the other drinks compa-Yesterday announced

with possible suitors includgroup, and Bacardi-Martini, the Bermuda-based owner of the white rum that is the over his strategy among world's best-selling spirits brand. But they have foundered over the reluctance of the Brontmans and potential partners to cede control of

"It's simply that 51 per cent and 51 per cent don't recover, everyone will call

announced a shake-up of as Allied Domecq. Managethe division's New York control over its operations.

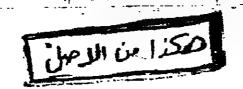
its reach and cost advanemployees and investors who include many family

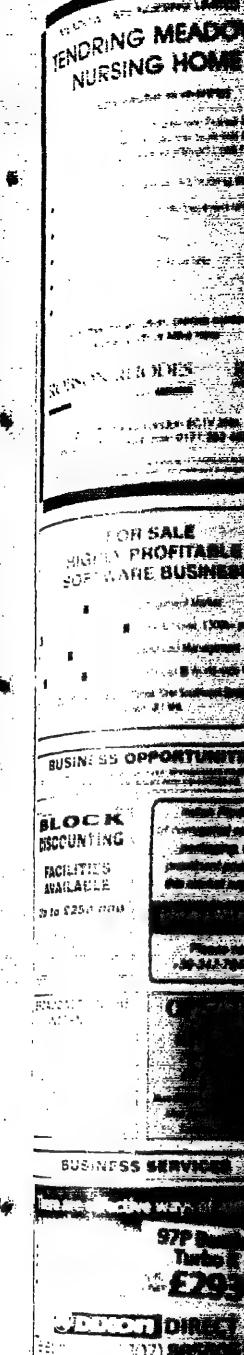
"The proof is in the share price," says Jili Krutick of Salomon Smith Barney in New York. "If it begins to

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Companies on 13 November 1998. Dated the 17th day of November 1998. LINKLATERS & PAINES (CXII) One Silk Street London EC2Y 8HO

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CA IB. Investmentbank AG (formerly known at Creditensial).

Investment Bank AG). CETI Advisors Limited and Dr. Timothy Nuity announce that they have today, without any admission of liability on either side, reached a mutually acceptable settlement of their dispute in relation to the termination of Dr. Nulty's employment at CET? Advisors Limited, involving a payment to Dr. Nully. The remaining terms of the settlement are confidential.

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Comprair

# Warburg, Pincus invests \$60m in F1 team

Warburg, Pincus, the US private equity group, is acquiring almost half of Jordan Grand Prix. the Northamptonsbire-based Formula One motor racing team, for about \$60m in the first direct investment by a financial most popular motor sport.

The cash injection is a big newcomer to F1. After last season's suc-

cesses, when Jordan won its

**Beeson** 

By Charles Pretzilk

Gregory

Beeson Gregory, the

stockbroking and corporate

finance house specialising in

smaller companies, is consid-

ering several takeover

approaches, it emerged yes-

Andrew Beeson, chief executive, said: "We have had quite a number of

approaches and we are hav-

ing a think about it." The

management has sought

The approaches are

believed to have come from

rival firms in continental

Europe who are seeking to

Analysts last night

suggested Beeson Gregory.

which is privately-owned.

might fetch between £35m-

£40m (\$57m-\$65m) if it agreed

independent advice.

expand in London.

the constructors' championship - its highest ever placing - the team was keen to secure new funds to take on more established and richer F1 teams such as McLaren, Ferrari and Williams. Eddie Jordan, the colour-

institution in the world's ful Irish founder-owner who will keep a majority stake in the company, said of the boost for Jordan, a relative investment: "This gives me the ability to challenge for the championship.

first Grand Prix through said the team, the only one

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vice eight weeks ago, is claiming a spectacular suc-

cess which could have pro-

found implications for the

future of the UK internet

It says it has 475,000 cus-

tomers for "Freeserve" -

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Damon Hill's triumph in Bel- in F1 owned outright by its gium and finished fourth in founder, had reached a point where it needed to bring in a commercial partner to sustain the improvement in its competitiveness on the race

> "There is a stage in this business where you need to go to another level," said Mr Jordan.

Warburg, Pincus intends to work with Jordan in developing new businesses possibly in such areas as After seven years in F1, he clothing, accessories and

which has 400,000 customers.

electronic retailer says cus-

tomers have been joining at

a rate of 8,500 a day, 10 times

faster than any other UK

service provider, since the

service was launched on Sep-

general manager, said more

than 40 per cent of his cus-

tember 22.

market leader AOL, which tomers were new to the has been operating in the internet. "Not only is Frees-

UK for more than five years, erve attracting a huge num-

The largest high street

Dominic Shorthouse, the managing director in the equity group's London office who put the deal together, said he believed Jordan's image as a young F1 team with a highly-recogover of \$60m. nisable owner and a big fol-About 60 per cent of Jorlowing among female racing

income" from the brand. Exact details of the investment were not revealed, but around the team's brand, Warburg. Pincus is buying a small contribution from more than 40 per cent of the team from Mr Jordan in a commercial activities. transaction valuing the com-

growing the UK internet

accurate, the UK's 250 or so

internet service providers

will have to reassess their key business assumptions.

In the US, where the inter-

cally pay a high subscription

fee but calls to the network

are free. In the UK, subscrip-

tions are moderate -

net market is most

If Dixons' numbers are

market." he added.

Mark Danby, Freeserve advanced, customers typi-

fans put it in a good position

to "develop other streams of

pany at about \$130m. any dividends from the business, which employs 180 people and last year made a profit of about \$7m on turn-

dan's revenues comes from sponsorship - its main backer is the Benson & Hedges cigarette brand with the remainder coming from television income, plus merchandising and other

local call charges.

Dixons is pioneering a new

subscription but aims to

profit from offering advertis-

ing on its website and by

levying commissions on

transactions carried out over

the internet. Its success thus

depends on the UK growth of

Customers join the service

using a free CD available from Dixons, Currys, PC World or The Link stores

electronic commerce.

model. Freeserve charges no the alternative telecoms car-

The group will not be paid dan was a long-term commitment for at least six to seven years. A flotation of Jordan at some stage in the future was a possibility, he

Mr Jordan said some of the proceeds from the equity sale would be used to secure his family's financial future. but most of the money would be spent on the racing team and its distinctive bright-vellow cars, which will be driven next season by

### Hill and his new team-mate Mr Shorthouse said his Heinz-Harald Frentzen.

# 'Bid for' Dixons internet service signs up 475,000

and Planet Online, an internet service provider Energis bought in the summer. British Telecommunicaaccuracy of Dixons' num-

work. The service is offered

in conjunction with Energis.

rier in which the National

Grid has a majority stake,

bers. Its "pay-as-you-go" ser-vice, BT Click, attracted some 25,000 subscribers in

# Sir Brian hopes cliff isn't a black hole

The chairman of British Steel is having to cope with some of the most rapid price-falls in recorded history, writes Kevin Brown

r Brian Moffat, the famously gloomy chairman and chief executive of British Steel, was in more than usually dismal mood as he released first which they say has mushhalf results yesterday.

to a takeover, The business is 50 per cent owned by five institutions and the management own the other half.

The institutions, who each hold 10 per cent stakes, are 3i, Scottish Life, Hambrecht and Quist. Gresham Trust and a division of First Union Bank of the US. The management have pre-emption rights on any shares being sold by the institutions. In the year ended June 30

Beeson Gregory's pre-tax profit jumped 74 per cent to £3.38m on turnover of £12.8m, an increase of almost Beeson Gregory provides

corporate finance advice to corporate clients and research and dealing services to institutional clients. It also deals in securities as a market-maker and princi-

included advising Cliveden. the hotel company, on its takeover by an American

The latest balance sheet for the business shows that at the year end it had fixed assets of £609,000 but current

The company was being battered, he said, by the most rapid fall in prices since he joined British Steel in 1968. It sounds like hyperbole. Unfortunately for the company, it isn't. After recovering from a low in 1998-97, continental European prices for most steel products have fallen off a cliff since mid-summer, with

Analysts say that Sir Brian may even have been underestimating the problem when he spoke yesterday of a 30 per cent price fall in the past three months - with up to 15 per cent in the last few weeks.

no sign of a recovery.

"Steel prices are probably falling faster than at any time in recorded history. We really are staring at a black hole at the moment, and there is no sign of good news," said Terry Sinclair. steel analyst at Salomon Smith Barney in London

from three main problems: consortium which included | • The Aslan economic cristeel trade flows, which were already under strain because of increasing exports from the former Soviet Union. where demand plummeted assets of £26.2m. The firm after the communist regime

demanding government action to stop "dumping" by South American, Asian and East European producers,

roomed to more than 50 per cent of the market. If they are successful, more exports will be diverted to Europe. Eurofer, the European Union steelmakers' association, is about to file similar demands, claiming that

imports were up by nearly 75 per cent in the first six months of 1998 - when the EU became a net importer of steel for the first time. Some analysts say that prices for benchmark products such as hot rolled coil steel could fall by up to 35 per cent in say there is some way to go. D-Mark terms.

The strength of sterling has exacerbated the effect of the import surge on prices. British Steel says it will from a peak of about DM3.10 to about DM2.80 by the end of the year. But it says sterling needs to fall another 20 its most recent European or 30 plennigs before it steel report that the com-

Sir Brian called yesterday The group is suffering for further cuts in interest rates to bring the pound down and stimulate eco-Bill Gates, chairman of sis has seriously distorted nomic activity in the UK, where the company says order books have been flat for nine months. UK demand for British Steel's main carbon and engineering steel

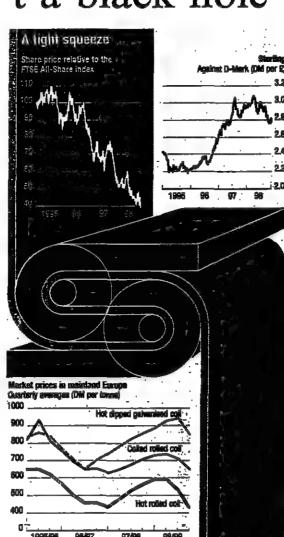
US steelmakers are the import surge cut its market share from 57 to 54 per

> · Avesta Sheffield, the Yorkshire-based stainless steel producer which is 51 per cent owned by British Steel and 49 per cent by Avesta of Sweden, is haemorrhaging badly. Stainless steel products have been hit harder than most by the collapse in prices, and Avesta Sheffield is regarded by most observers as a relatively British Steel has been

working hard to cut costs at Avesta, which accounted for £22m (\$37m) of total restructuring costs of £30m in the first half. However, analysts Analysts forecast that losses this year at British Steel are inevitable. But most expect it to recover

next year and return to subbegin to feel the benefits of stantial profits in 2000-01. the pound's recent decline reflecting a recovery in prices and efficiency improvements. Paribas, the Paris-based broker, said in becomes truly competitive. pany was at the forefront of industry cost-cutting, and should achieve savings of

£900m over five years. At least 3,000 jobs are expected to go over the year, cutting the workforce to about 45,500. The main steel union, the Iron and Steel Trades Confederation, is cooperating in the restructurproducts rose slightly in the ing programme, and the first half to 6.1m tonnes, but company is also aggressively



reorganising its suppliers. of that we have to take "We don't see a black hole, advantage of efficiency gains wherever we can." Sir Brian but we do see a very difficult period ahead, and as a result

# COMMENT

# British Steel

The humiliations of British manufacturing industry con- British Steel tinue apace. After being Share price relative to the effected from the FTSE 100 in ejected from the FTSE 100 in September, British Steel yesterday warned of a full-year loss. Compared with £105m interim pre-tax profits, let alone the £1.1bn of 1996, current trading must be dire. With pessimists slashing 2000 forecasts from a £100m profit to a £200m loss, it can be little surprise British Steel's shares fell 7 per cent. The

company has underperformed the market by 50 per cent since the start of 1996. and now yields more than its

historic p/e ratio. Could any of this have been avoided? Not much, in truth. The explanation lies mainly in a longstanding global oversupply of steel, dramatically worsened by a drop in south-east Asian demand. And the worst may be yet to come. The 18 per cent fall in average revenue per tonne British Steel stomached in North America may spread to Europe, where prices have so far held firm. Also beyond management control has been the impact of the pound.

As the pace of job cuts attests, British Steel is valiantly attempting to counter the adverse operating environment. But costs would surely come down faster if it participated more aggressively in the sector's consolidation. Be bold. Sir Brian, take advantage of depressed prices to snap up a

#### Takeover Code

The Takeover Panel resembles a football referee, delivering swift judgments in the heat of acrimonious battles. This works because those subject to its code reckon that justice is done. Great Universal Stores, though, which was its bid for Argos, feels hard done by. The company alleges a mislead of impression was allowed to linger concerning Argos's Dutch stores. Argos says its statements were accurate. Clearly, it is important that investors get accurate information. GUS can always pursue the matter in court. But by banging on about how the panel should censure Argos's directors - after missing the deadline for an appeal - GUS is in danger of looking like a poor winner. It is up to the panel to apply common sense. The Dutch stores were a tiny part of the Argos empire. The panel may feel that if there is a case for rebuke, it should be a more slap on the

# **Compensation for** Randgold founder

Peter Flack, founding chairman of Randgold Resources, the mining and exploration company that listed in London in July last year, has been paid \$949,375 compensation for loss of

Mr Flack left Randgold suddenly in March after just over three years as chairman, saying he had achieved the objectives he had set himself. There was widespread speculation, however. over a split between Mr Flack and the Kebble family, majority shareholders in Randgold & Exploration, the company's South African

Roger Kebble, head of the family, succeeded Mr Flack as Resources' chairman.

There were reports that Mr Kebble's son, Brett, had plans to split Randgold and inject some of its African ssets into JCI, the mining bouse in which the family also has a big stake. Yesterday Roger Kebble denied that Resources would

be split up. It would continue as a separate, focused African mining and exploration company, he said. However, changes to other South African mining companies in which the family had shareholdings would take place. Mr Kebble expected that

within a year JCI would merge with Consolidated African Mines to form an operating group with substantial shareholdings in Western Areas, Durban Deep and Randfontein, as well as Randgold Resources.

Mark Bristow, Resources' managing director, said yesterday that the \$60m revamp of the Syama mine in Mali was virtually completed and ing positive cash flow. Syama would be producing an annual 270,000 ounces of gold at cash operating costs of \$210 an ounce from the beginning of next year.

Syama's positive cash flow, and the funds raised from a \$34.6m open offer, would enable Resources to press on with the Morila gold project in Mail.

# Nomura seals \$229m brewer deal

Marston Thompson & Evershed, the Burtonbased brewer of Pedigree bitter. yesterday disposed of its tenanted pubs in an innovative securitisation deal with Nomura International, the Japanese investment bank, that will net it more than £137m (\$229m).

Nomura said the deal marked the re-emergence of the lower-rated fixed rate unted pubs to a new com-Euromarkets following their collapse in the wake of the Russian default on Government bonds in August. It which the bank was acting being sold made operating estate, which would revert tors for similar agency deals.

rather than as principal.

The Japanese bank is already the largest indepenmore than 4,000 pubs under preneur. After acquiring the pubs as assets, it securitised them by issuing bonds on generated by the pubs. Marston is selling 569 of its ten-

its control, mainly in inntrethe European capital markets backed by the cashflow Company, which will finance

the purchase through a securitisation arranged by Nomura. The tenanted estate

as an agent for the client, profits in the year to March to the Premier Pub Company 28 of £15.8m on sales of

Nick Letchet, Marston's dent landlord in the UK with chief executive, said the disposal would realise much more through securitisation than would have been achieved in a trade sale. Marston shareholders will

be asked to approve the securitisation deal at an extraordinary meeting on December 9. The board pledged to return at least £60m of the proceeds to shareholders, and to pay a special dividend next year. Mr Letchet said the group was in effect mortgaging the

once the bonds were paid has retained a 51 per cent stake in Premier.

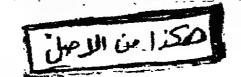
Nomura, which usually securitises the cashflow of assets it already owns, said all three tranches of the bonds in Premier had been fully subscribed. The bank was fully underwriting the issues, giving a vote of confidence in both the sector and the company. Customers included long-dated insurance companies, pension funds and money managers. The bank was looking

### 1.52 0.966 0.22 50.2 108 0.88 56.4♥ 0.977 14.7♣ 10 8.5 (2.48 (0.055 (0.1) (60.49 (1.43) (1.47.4 (2.13) (15.8) (6.85) (11) (2.19 (3.78) (13.1) (67.49 (12.5) (5.32) (1.84) (559) (27) (376) (43.6) (107) (31.9) (92.7) (157.7) (65.4) (1.75) (113) 6 maths to Oct 3 ☆ thinks to Sept 26 thinks to Sept 30 thinks to Sept 30 thinks to Sept 30 thinks to Sept 30 thinks to Sept 26 thinks to Sept 30 Yr to Sept 30 6 mits to Sept 30 9 mits to Sept 30 6 mits to Sept 30 154.5 58.9 3.48 Yr to Sept 30 407.81 (400.78) For & Col Euro . 2.19 (1.09) (1.75)

# Avoid business trip ups.

# The FT Business of Travel Survey. Published Thursday November 19.

This special broadsheet survey focuses on the busy schedule of the business traveller from the pros and cons of cheap travel to the latest developments In air travel and hotels. There will also be a regional guide to Western Europe, a look at travel in the future and interviews with seasoned travellers who reyeal their business travel tips and experiences. So to avoid future business trip ups, see the FT Business of Travel Survey, published this Thursday,



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THE PROOF SOME

# Investment eases as belts are tightened

Economic expansion has drawn heavily on the alabour pool, making it difficult for new employers to fird skilled workers, says Richard Waters

From laterstate 85, as it result is that US states and slices through South Caro- cities are likely to have to lina, the impact of a decade of heavy foreign investment is readiy apparent.

In common with other parts of the south-east, the area stil looks to its shrinking textle industry for a fair

Butits future lies more in plant that have sprouted alone the sides of the freeway, nany of them built by forein companies. One in 10 manuacturing jobs in the areaure now said to be for German companies such as Hoeost, BMW and Stemens.

The foreign direct investmen boom of the 1990s, and a serge in capital spending ate pockets of activity like this across the country, with thefaster-growing south-east bereficiaries.

he North American Free Trde Agreement may have mde it easier for low-wage jos to flow to Mexico, but th long expansion of the 190s has created more than eough employment to fill

The conditions that suppried this wave of investent may be less potent

fight harder to attract new investment, putting companies in a stronger position to negotiate terms before agreeing to put down roots.

The dollar, despite some weakening lately, has been number of jobs. The largest on a roll, making life private sector employers in tougher for US-based producthe area are all mills, a ars. According to the Bureau reminer of the region's eco- of Economic Analysis, the strength of the US currency is probably a large part of the new manufacturing the reason foreigners spent less on establishing businesses in the US last year than the year before, the first time foreign investment has fallen since 1992.

Meanwhile, worldwide overcapacity in a number of industries has produced a giut of cheap imports that is putting US plants under jects, particularly for foreign pressure to keep raising the productivity bar.

And a long economic expansion has drawn beavily on the country's labour pool, making it increasingly difficult for new employers to find skilled workers. The effects of overcapacity

can be seen in some highprofile industries. Virginia, for instance, has seen its attempt to foster a local high-tech industry sidetracked by Motorola's decision to suspend construction on a new chip plant.
"There is nothing unusual

may have hit a cyclical downturn, he says, but new projects are still in plentiful supply in industries which are expanding, such as telecommunications and finan-

Mr Sterling concedes though, that the overall investment picture is not as bright as it was. There are fewer companies shopping investment projects around in search of the state that will give them the most favourable welcome.

Also, the concerns that have swept through the kets have had an impact. It has become more difficult to find the finance for new procompanies wanting to

started to tighten their belts to prepare for what they believe will be more difficult economic times ahead. According to a recent survey of chief executives, undertaken by the Business Council, two-thirds of large companies have already reduced their capital spending plans, The retrenchment is mir-

rored by the investment slowdown from abroad. But the 11 per cent drop in foreign investment last year an they were, though One about this," says Wayne should be kept in perspec-

vears spending increased by nearly 50 per cent a year.

Besides the strength of the dollar, a big reduction in companies accounts for much of the recent decline. Both Canada and Mexico experienced a similar pattern. While foreign investment eased, it remained high by historical standards.

The regional pattern of the slowdown in the US is in many ways a mirror image of the expansion that pre-.ceded it, says Regional Financial Associates, an economic consulting firm,

California and Texas, the two most populous US states and among the most successful in creating new jobs since the mid-1990s, have been among those to see biggest declines. The same is

true of the south-east.

Some of the US cities that witnessed the quickest expansion have seen their growth rates slow most noticeably, particularly those whose expansion owed much to high-tech industry. Job growth in San Jose has fallen from 6 to 2.5 per cent. though that may owe

The expansion of the at least something to the great difficulty of finding

Silicon Valley. Despite this, the US eco-

has to all appearances created fewer of the excesses over the past decade have from the 1980s that exacerbated the effects of the last recession in some regions. That is particularly true in the real estate markets.

Though citles such as Atlanta have attracted a wave of new construction, it with a decade ago.

1990s, meanwhile, has continued to draw workers from the mid-west and east, creat-

ing bigger markets that have, in turn, made them more attractive places to establish business. Growth rates in the west

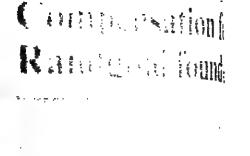
put it well ahead of most other parts of the nation. economy of the south-west has grown nearly 40 per cent over the post decade, while the economy of the Rocky Mountain up by 46 per cent.

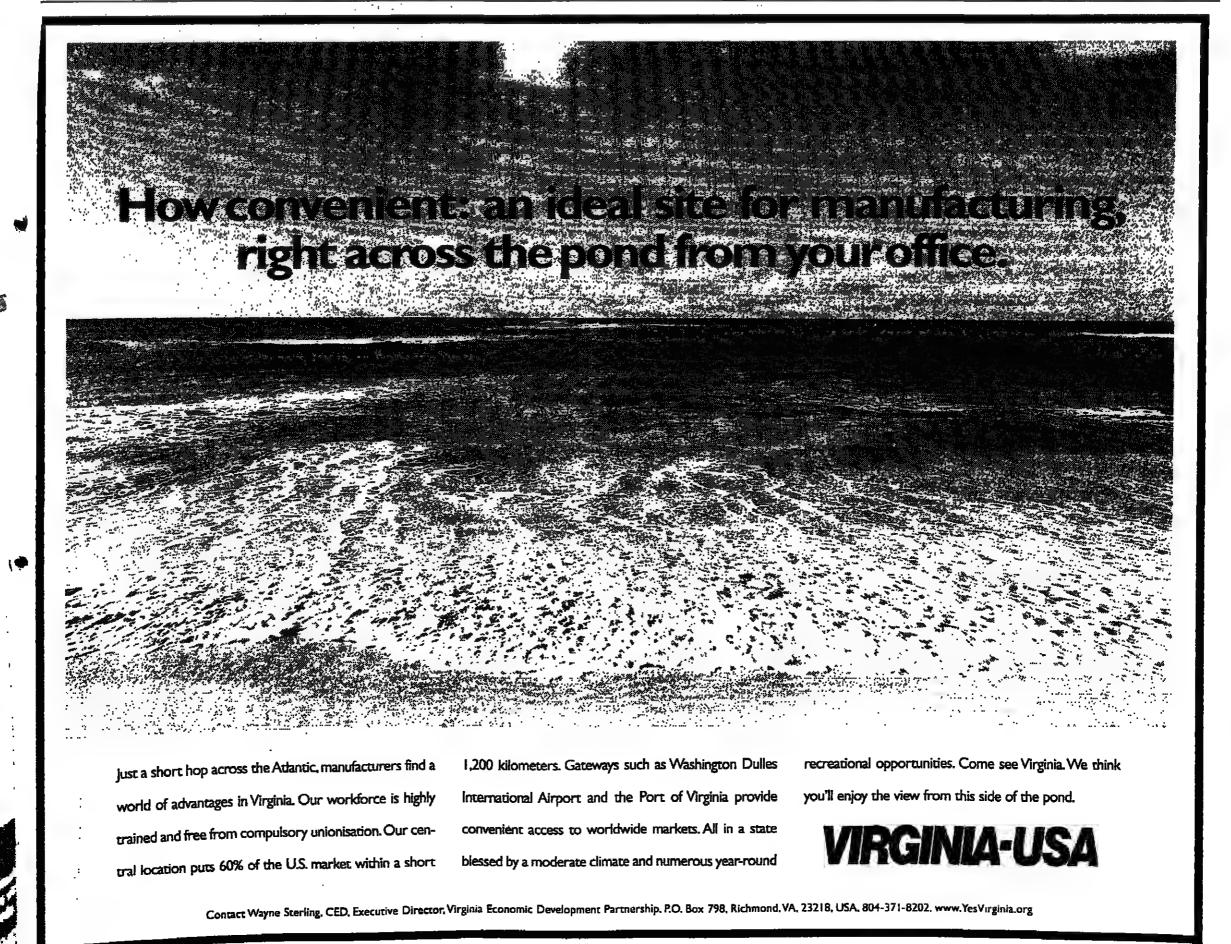
North-eastern states, in contrast, have grown little more than 20 per cent. Some factors which made the south-west and south-

new investment are less clear-cut than they were. The relatively low cost of

Personal incomes in both regions, for instance, has risen to around 90 per cent of the national average. eroding much of the cost advantage that has attracted outsiders in the past.

But, with fast-growing ally more pro-business environment and more space available for development both are also likely to be continued beneficiaries of







Sparkling new car factories, such as BMW's plant in Greer South Carolina, tell only pert of the economic story

THE SOUTH by Richard Wolffe

# Brainpower is in demand

The mood of the region is captured by retailers increasingly concerned that the boom times may be ending

new south has become a familiar picture of success for businesses seeking to relocate in the US.

Its reputation as an engine of growth is well earned. By the mid-1990s, according to the US Bureau of Economic Analysis, the south was winning around 40 per cent of foreign investment into the US compared to just 15 per cent in the north-east and 25 per cent in the west.

But the booming image has lost some of its lustre in recent months as the economy has begun to slow across the southern region. led by a downturn in manufacturing fortunes.

According to this month's beige book of economic Reserve, the pace of business activity weakened in the Atlanta and Richmond regions, where the international economy.

The image of the booming and oil companies reported cutbacks and little hope of Carolina are expected to improvement.

In Tennessee, furniture and textile producers said their expectations were poor, 2.7 per cent. while in Alabama steelmakers admitted that increasing imports were leading to fears of layoffs and reports of rising

However, the downbeat reports were offset by strong sales in the retail and tourism sectors, which have proved a substantial boost to fears that overseas tourists Southeast Journal. may stay at home, strong booking levels suggest more

reasons to be optimistic. increasingly concerned that concrete evidence of a fall-off in terms of wages. in activity is hard to find.

rates in the last quarter Manufacturers, while of this year will reach hopeful about their an average 3.7 per cent prospects, voiced their first across the region, compared significant fears about their with 2.8 per cent for markets. Paper producers the US as a whole.

Canada is our home, but the world is our marketplace.

With plants in 11 countries, it's also our manufacturing base.

Here in the United Kingdom, we employ more than 8,000

Transportation with Prorail, Bombardier Aerospace with

to flying training and other services for both private and

public sectors, Bombardier is making it in the UK.

From high-technology trainsets and aircraft components

dedicated, highly skilled people through Bombardier

Shorts, and Bombardier Services.

grow by 4.2 per cent, while others such as Alabama may

> Carolina's encouraging prospects rely on the new leisure sector of such au hotels and restaurants Houston. around Myrtle Beach as well as the back-office operations

merely reach a respectable

of Charleston. Tourism is also the bedrock of the region's largest economy, Florida, which is forecast to grow by the region. While there are 3.9 per cent according to the But it is in the longer-term

that the outlook becomes more uncertain for the Businesses such as region. In particular, the retailers appear to be south has enjoyed rapid growth because it has been analysis by the Federal the boom times may be catching up with its coming to an end, even if northern rivals, particularly

For instance, in 1970 The gloom may be personal income in the south manufacturing sector felt overdone. Regional represented just 83 per cant the impact of the faltering economists predict growth of the US average, according to MDC economic research North Carolina. By 1996 that figure had risen to 90 per cent.

While that is undoubtedly positive for the region's south's aducation system

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workforce, it also has a reputation for severe undermines one of its key underfunding. The Southern selling points comparatively low cost

Moreover, the cost of children with one-sixth of living in the region has the school funding. shifted upwards as the south has left behind its largely south is now further behind rural roots to move to the rest of the US than it gleaming new urban centres. such as Atlanta and despite

Seven out of 10 southerners now live in metropolitan areas, while only four states - Arkansas, Kentucky, Mississippi and West Virginia - have more people living in rural areas rather than in urban

Of course there is still much evidence of the old south in terms of low wages. More than 7m southerners working full-time earned less than \$12,500 a year, the official poverty line for a family of three.

problems of the old and Shelbyville, Tennessee, but new south converges on asked the region's chamber one issue, the need to raise of commerce the unexpected educational standards to question: "Can your high push up the quality of school graduates perform jobs which the region can

Partly because of its historically low tax base, the

Regional Education Board says the south educates ne-third of the country's

In college standards the was in 1976, says MDC, undoubted improvements. percentage of southerners

with a university degree rose from 15 to 23 per cent between 1976 and 1997, while the national rate rose from 16 to 26 per cent.

For the influential Commission on the Future of the South, made up of the great and good among the business and academic leaders of the region, there is no higher target than raising school standards.

The commission tells the story of how a high-tech tool crossroads," he says. "The company from Michigan north-sastern states decided story of how a high-tech tool But the combination of wanted to relocate to

> For many business leaders the higher demands of investors are pushing forward a policy agenda which will build both economic and social advantages for the long-term future of the south.

Hooker. Michael chancellor of the University of North Carolina at in direct competition with Chapel Hill and a leader of commission, says: "In the 21st century, the only competitive advantage available to the south or to any region in the global nomy is brainpower.

"We will be successful only to the extent that we unstintingly cultivate, develop and wisely deploy our intellectual capital."

Vision remains more of a blueprint than a reality

factories built by BMW in Spartanburg and Mercedes-Benz in Tuscaloosa may be the flagship foreign investments of the new economies of the south-eastern states. But the enticing image of highly-skilled workers producing high-class

products tells only part of For the economic strategists of the south-east the region is far from where It needs to be to compete successfully in the global economy. Indeed, under pressure from low-wage countries in the North American Free Trade Agreement, the south has been losing thousands of jobs in traditional sectors

such as textiles and apparel. in states such as Alabama and South Carolina government officials and

business leaders have been rapidly outlining economic strategies to attract higher-skilled, higher-paid lobs in technology-based

However, their political and economic vision remains more of a blueprint than a practical reality despite pockets of success pround a handful of International investors. For Keivan Deravi, professor of economics at Auburn University in Montgomery. Alabama, those structural changes need to happen sooner rather than later.

"We are at the in the 1960s to give up their low-tech manufacturing and concentrate their efforts on higher-skilled manufacturing. We in the south inherited what the north-east and the mid-west rejected - these low-tech and low-ekilled

Industries. "What we have to offer the rest of the world and the rest of the nation is a cheep and non-unionised labour force with low skills and a very relaxed legal and labour environment. So what we cot is the type of industries Singapore and Indonesia.

We do not have the infrastructure to have a high-tech industry, but we do have ressons to have one here - not because of the scenery but because the customers are here."

Following the financial crisis around the Pacific Rim. further traditional industries such as timbe and steel are suffering fierce new competition from Asian imports. The overall result is not just a loss of Jobs but a contraction in the worldorce In Alabama alone the

overall workforce has shrunk

ALABAMA AND SOUTH CAROLINA

by 32,000 to 2,14m this year, while the unemployment rate has fallen from 5.2 to 4 per cent, Employers with a growing workforce have found it hard to recruit new employees

and hold on to existing skilled workers. The solution for economic development strategists is to attract more high-tech companies to existing areas of success. In particular, the south-eastern states are keen to improve the skills of their workforce by raising educational standards which

COUNTRY In South Carolina, where low-cost manufacturers have particularly suffered from recent Asian competition, the state government last month formed a grand technology alliance to help recruit high-tech investors.

have lagged the rest of the

With a 13-member board of university heads and business leaders, the alliance will target employer in electronics, software, telecommunications and technology-besed

engineering. In particular, the state wants to adapt its network of "special schools" to help train workers for high-tech employers, as well as develop venture capital funds for start-up

At its launch outgoing governor David Beasley said This we know, high tech equals high wages. Both go hand-in-hand to form companies that are better equipped to adapt to competitive markets and economic fluctuations.

"With nearly 127,000 people in South Carolina already employed in technology-intensive industries, we must prepare our labour force for the skills those businesses demand and recruit them

For the South Carolina chamber of commerce the high-tech vision has some foundation but is a long way from fruition. Hunter Howard, president and chief executive of the chamber, says: "We have some higher technology menufacturing such as chemicals and synthetic textiles, but that is a niche from an output

standpoint.

"And there has been growth in pharmapeuticals such as Roche. High-tech is our next horizon, and there is some foundation for it with three good research universities here. But, in terms of the economy as a whole, it has not taken off

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in Alabama foculed policies centre around the existing medical reearch at the University of Alabama in Birmingham. Therethe university and busiless leaders are keen to start a horne-grown cluste of biotechnology and

medical-mixtud corloanies David Day, interin director of the university's reearch foundation, says: "Ve are building one of the up three genetic centres in the country. We are telling the young faculty that w will let them have tenured jos and not only allow them \$ run outside businesses bit actively help them to to

Along with a 100-ac science and research ark the university has stared a venture capital fund toin in start-up biotech and medical businesses ar aims to attract profes executives to manage

new companies. For the Economic Development Partnersh of Alabama, a private sect body which aims to attro toreign investors to the state, there is a clear m for building a cluster of high-tech companies. In he north of Alabama comp have beemed around the long-standing base for th Nasa space agency in th

in both states there is clear recognition that the starting point for attracting high-tech investors is the education system. Earlier this month both states elected new governors, replacing Republicans with Democrats, on a platform improving aducational standards, which have suffered partly because of historic racial divisions.

needs to be improved an enomous amount," says Professor Derayi, "Unless fix it and build an overall infrastructure in terms of ti legal and business environment, we will only ge a very selective number of high-tech industries based

"Our education system

Richard Wolffe

LABOUR MARKET by Nancy Dunne

# Time to flex the muscles

The potential and growth of telecommuting is one of the few certain trends in a volatile employment market

After Linda Tripp became the world's most famous snitch for taping conversations with the former intern involved with President Bill Clinton, her job at the Pentagon was secure but not precisely comfortable. Her employers found her a telecommuting position which enabled her to work at home with a computer and a telephone. It gave her the flexibility to meet with lawyers and prosecutors and allowed her to avoid the hostility of her colleagues while she continued to earn a living.

As a stay-at-home worker. Ms Tripp is not unusual. Telecommuting is a booming trend in private industry as well as in government. The federal government has increasingly encouraged telecommuting in order to save on office space. About 1.5 per cent of the government's employees work at home, a percentage that is due to rise to 15 per cent by

This kind of flexibility is increasingly important in the US job market - for government and private sector, for employers and employees alike. As the fortunes of the giobal economy wax and wane, managements want to provide job shares, home employment and to take on temporary workers. Some employees prefer the flexibility. For instance, parents are often glad of the opportunity to spend more time with their families,

However, desirable as the elasticity may be, there are also more ominous trends. In some areas there are skills pension benefits given to full

but mostly the increased rate of downsizing has produced an anxious work force willing to work harder and longer than they have in decades, often with fewer pay increases and promo-

Downsizing may reach record levels this year, driven by the troubles in the global economy and mergers and acquisitions.

John Challenger, chief executive of Challenger. Gray and Christmas, a Chicago outplacement firm, says plans have been announced for the downsizing of more than 522,000 workers in the first 10 months of this year, compared with 434,000 in 1997. If this trend continues apace, announced this year than ever before.

"Concerns about the shortage of workers has eased some," he said. "Job creation has been low for two consecutive months. But this is a self-correcting economy and a lot of companies are happy to see workers come onto the

Cost reduction has become the key to competing with cheap imports, and one of the easiest ways to keep costs in line is to get control over labour costs. This often means bad news for older, high cost workers with long tenures in a single company.

Meanwhile, the number of temporary and "leased" workers is rising, as a means of cutting costs. "Temps" do not get the health care and

business is slow. Some workers find advan-

tages in temping. Jill Baker is a qualified reading teacher, but was unable to find permanent employment after the family moved to Paoli, Pennsylvania, when her husband got a better job. Temporary employment can often be interesting, she says, while at the same time she has the option of staying at home with her teenage son or helping to care for

On the flip side, both temporary and permanent employees report that they are working harder than ever. The New York Times recently reported that many so-called part-time workers mostly women professionals - are being forced to work 35

to 40 hours a week. Meanwhile, the average work week for professionals and managers has stretched from 45 hours two decades ago to 48, and it is not uncommon to find professionals and senior executives working 60-30 hours a week. Overtime is by no means

limited to professions. In many of the re-organised, reengineered companies of today, many middle managers have been eliminated. and their former subordihates are required to fill the Fearing the loss of their

own jobs, they are reluctant to complain about long work hours, even though studies have found that so much forced overtime is causing family problems, burnout and reduced effectiveness.



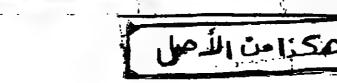
Union workers have begun to strike, not for higher pay but for more time off. in the't spring of 1994, steel workers at Allegheny Ludium Corp struck after some workers were forced to spend as much as 146 hours in two weeks on the job.

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It is in this time of increasing job stress that telecommuting has grown increas ingly desirable. According to the American Management Association, in 1997, 51 per cent of US companies had launched some kind of telecommuting programme for its workers.

Telecommuting has been boosted in many states by concerns over traffic and air pollution and a desire to encourage a large segment of the work force stay off the highways.

The trend is a useful tool for foreign companies, interested in setting up in the US but unable or unwilling to invest in large headquarters or regional offices its potential and growth is one of the few certain trend in a job market made more volatile, but adaptable, in he global economy.



معكذا من الاحل

Is the nation north of the 49th parallel suffering from a perception problem, or do its problems run deeper?

Canada's efforts to attract longer rely on its historic to nearly 80 cents, would not foreign investment have faced a paradox in recent years: by most accounts the country is among the cheaper and more attractive locations for business in the

industrialised world. Yet Canada finds itself falling behind in the race to attract more foreign investment. Since 1985, while Canada's FDI stock has doubled in dollar terms, the country's share of inward investnent has fallen sharply.

Among the Group of Seven countries, for example, Canada's share of inward FDI stock is half of what it was in 1985. In North America, the share has dropped from 24 per cent to 16 per cent. Worldwide, Canada's share dropped from 9 per cent to just 4 per cent over the same period While investment by US companies in Canada has risen steadily this decade, European and Japanese companies are increasingly looking elsewhere.

This relative decline is a cern to Canadian federal and provincial governments, because Canada's economy relies more heavily than ever before on encouraging companies to establish global, or at least continental scale facilities in the

The free trade agreements concluded in the past decade with the US and Mexico mean that Canada can no current level of 65 cents US

eign companies to set up study found. small branch operations behind tariff walls to serve the Canadian

domestic market. Multinational companies are now able to locate in the US or Mexico and export to the Canadian market without facing high tariff barriers. Canada's challenge is to convince them to choose Canada as their platform for export to the rest of the North American Free Trade Agreement region. In an effort to reverse this

declining trend, Canadian governments have stepped up their campaign to promote Canada as an attractive place to do business According to a 1997 study by KPMG Peat Marwick, UK accountants, Canada was the cheapest business location for manufacturing when compared with the US, the UK, France, Germany, Italy and Sweden

The study looked at overall business costs, including initial investment costs such as land acquisition and construction, labour costs. transportation, electricity and telecommunications costs, the cost of capital and taxation. Canada fared wall in virtually svery category. excepting only road freight costs and capital taxes. Even a considerable rise in the Canadian dollar, from the

policy of encouraging for- negate these advantages, the

A similar KPMG study earlier this year found that, among big North American cities. Toronto was 25 to 50 per cent less costly as a business location than large American cities such as Atlanta, Dallas, Chicago, New York, San Francisco and Los Angeles. Other Canadian cities such as Montreal, Vancouver and Ottawa were even cheaper than

And Canada's advantages are not limited to low costs; it also has a highly educated population, advanced infrastructure and attractive, safe cities in which to live.

So is Canada suffering from a perception problem hy foreign investors, or are there solid reasons why more companies are not putting down roots north of the 49th parallel? Someshwar Rao, director

of strategic investment analysis for Industry Canada, the federal department, says the problem is a bit of both. In particular, he says, competing with the US for investment means that Canada "not only has to be competione because the US has some huge advantages in terms of technological infrastructure and the size of the

identified by economists

els of productivity; relatively high personal and corporate taxation; the poor overall last decade relative to the US; and the instability of the Canadian dollar. And while Canada has increasingly embraced foreign investment, significant restrictions on foreign ownership remain in such dynamic industries as telecommunications and

The Canadian government hopes that most of these problems are on the verge o being resolved. Labour productivity, for instance, which has lagged behind the US over the last decade. showed a strong surge in 1997, rising 2.9 per cent compared to the 1.8 per cent gain recorded by the US.

financial services.

The Canadian dollar. which suffered a sharp plunge against the US dollar this year, has likely bottomed out, making Canadian assets cheaper than they have been in a long time and offering the likelihood that any acquisition will appreciate in value.

Paul Martin, Canadian finance minister, has promised further reductions in personal income taxes in the next budget to be banded down in February. But corporate taxes are not on his mmediate agenda. This is despite a detailed government-sponsored study this year that found Canada's marginal corporate tax rates are high compared to the US.

there have been some bright spots in Canada's efforts to attract foreign companies. Quebec, for example, has wooed substantial new investments in the pharmaceutical and aerospace industries despite the contin-

ued political uncertainties created by the province's threat to separate from the rest of the country. Quebec's generous writeoffs for research and development expenses and its

accelerated depreciation allowances have encouraged new investment from compa nies such as Astra, the Swedish pharmaceuticals company and Liebhert Aerospace, a subsidiary of the Swiss engineering company. In addition to the basic 20 per cent federal tax credit, Quebec offers a 20 per cent tax credit for salaries on R&D activities, increased to 40 per cent for research at a recognised research centre. In addition, foreign research-

break on personal income. Research in Quebec has led to several breakthrough

aircraft line, Biochem Pharma's Aids drug 3TC, and the animation and special effects software of Discreet Logic and Softimage, a Microsoft subsidiary. Ontario also offers generous R&D tax breaks, which has encouraged large invest-

dier's unparalleled regional

ments by Nortel Networks, a Canadian voice data netstantial global operations. IBM Canada, Imperial Oil and General Motors of Can-Both Ontario and British Columbia, Canada's western-

most province, have also lured the US film production industry, a particularly mobile and cost-sensitive

nomic policy analysis at Industry Canada, says the disjuncture between Canada's low costs and its difficulty in attracting business for really promoting Canada as a place for doing busi-

Stuart Mackay, one of the authors of the KPMG study on Canada's business costs. said that in speaking tours of Europe recently he found a strong bias in favour of locating in the US, "When Europeans are looking at North America, because 90 per cent of the market is in

the US, there's no consciousness that we are physically proximate to the major US markets," he says, "I hear it again and again: we're just But changing those per-

ceptions will be no easy task. Steven Globerman, a professor of economics at Simon Fraser University in

ada to break the US strangle industries - an advantage that is luring away many of best-educated Canadians to higher-paying jobs

south of the border. "It's very unlikely, short of bankrupting yourself, that having a vibrant sector in those areas simply through

subsidies," he says. Canada faces a genuino dilemma in North America. While it is a low-cost location, highly cost-sensitive businesses will opt for Mexico, which remains far cheaper. And while it has wealthy markets, an educated populace and advanced infrastructure, it cannot match the scale of opportunities offered by the US

Canada is trying to find a middle way that will prove attractive to investors, but the ingredients are not quite

JOB CREATION IN THE US by Christopher Parkes

# Business as usual but the accent changes

flothing manufacture, not an obvious winner in an advanced conomy, is one of the fastest-growing businesses

the free-flow exodus from California of people and driven by rec sion or fear of worse to come after the early-1990s round of earthquakes, riots and wildfires has come to a halt.

The population decline has been reversed in the past year and the state is, as before, welcoming all comers and open for business.

Yet, although the people are coming, driving the rate of population increase at twice the national average, the business base seems to be going in the opposite

The continuing fall-out from the restructuring of the aerospace and defence industry has cost the state thousands of jobs and its flagship McDonnell Douglas.

Consolidation of the anergy sector has exposed the state's three big oil groups as weakling takeover candidates. The compression of the financial services sector has seen most of the leading banks taken over.

The loss of corporate headquarters and jobs have all contributed to the impression of an eroding base yet. as with population, job creahead of national rates. Silicon Valley and Los

Angeles remain unrivalled powerhouses of the international high-tech and filmed entertainment industries and, despite recent slowing, continue to grow at underlying rates which reflect the sectors' importance to the

But the fastest-growing founded by new millionaires seeking their own way outside the computer and software industries which made them rich and the ambitious entrepreneurial newcomers, immigrants from the US and overseas, eager to exploit region's market.

Clothing manufacture, not an obvious winner in an almost entirely the fundaadvanced economy, is one of mental requirements of the fastest-growing businesses in southern Calif- the elementary schools, built ornia, drawing on vast with the light materials typireserves of cheap immigrant cal of the region, are more labour and selling into a fashion-hungry market.

But the state also has large reserves of skilled and highly educated workers feeding software and services suppliers ranging from electronic games to car

Although there is only one car assembly plant in the state, representing a much reduced automotive industry, more than a dozen car companies maintain design Pete Wilson found himself



studios in Orange County. Just as they are staffed largely with graduates from the renowned Pasadena arts college, the biotechnology industry clustered further south near San Diego and scattered throughout the state finds no shortage of graduates from California's renowned university system

Abundant labour, skills attractive market which, in terms of residents, is expected to equal that of France within 20 years. But, if the marketing

opportunities are all too obvious to outsiders looking to relocate, so too are the disadvantages. California's under stress from the forces of advancing age, neglect and demands which it was not designed to bear. According to the Calif-

group of employers com- ornia Business Roundtable. an industry lobbying group, a 10-year spending programme and a budget of about \$115bn is needed to bring it up to scratch. Efforts to build a more business-friendly environment have focused recently on corporate tax reforms and the elimination of red tape.

> They have neglected cities in which 60 per cent of than 30 years old.

The Pasadena Freeway, the first stretch of the highway network which links the grid of towns comprising the Los Angeles sprawl, is 60.

Up to \$25bn needs to be spent on roads merely to maintain existing levels of Next Generation.

mobility, the round table said in its recent report tion, and San Francisco has Building a Legacy for the

this year with a \$4bn budget surplus - more than Cansda's - he fought and won a battle to dispense the bulk of it and future expected windwould tend only to increase the numbers of cars on overloaded roads. Mr Wilson's virtual elimi-

taxes made his reputation as and wealth make for a a tax cutter, enhancing his vibrant economy and an reputation in preparation for a possible run for the presidency. It also fed Califorhians' appetite for ever lower taxation, which has haunted more far-sighted politicians since property taxes were capped in 1978.

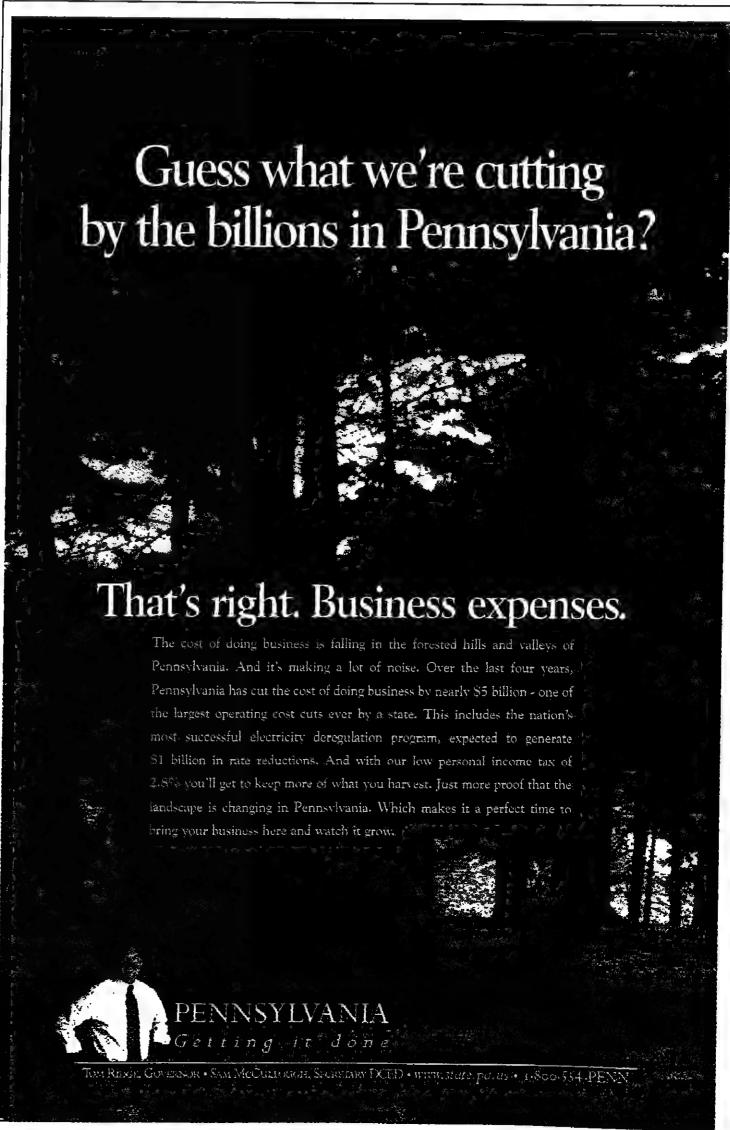
The impact of this radical step, which robbed local slice of their revenue, is now everywhere apparent in the deteriorating infrastructure.

To replace the lost revenue, many now encourage the development of retailing malls and car showroom lots which yield vital sales taxes. But such policies militate against the construction of industrial and commercial buildings, and even the homes which the state so desperately needs.

A small industrial com-Los Angeles, for example, will find the vacancy rate is about 5 per cent, among the lowest in the country. But as local officials point out, even that scant supply is usually unusable because of age or lack of access for trucks.

A family looking for a home in Los Angeles will find prices more than 50 per cent higher than the national average.

Even in modernistic Siliand residential building capacity is close to exhausin the past year overtaken Hawaii, long unchallenged And yet, when Governor as the place with the highest



# FDI bonanza loses some of its sparkle

The government is hoping that annual foreign direct investment levels of \$9bn-\$10bn will be boosted by the rise of export-oriented plants known as 'maguiladoras'

investment bonanza enjoyed by Mexico in 1997 has lost some of its fizz this year but the government still expects a robust total of close to \$10bn to arrive, in spite of upheaval in worl financial

While the effects of global market turmoil drove the value of speculative investment in Mexican securities down 40 per cent in the first nine months of the year, forto keep their investment

ond-largest recipient of for-eign direct investment in the

Asian companies continue to use Mexico as a springboard to the US, as do European multinationals that are also eyeing the prospect of free trade talks starting in November between Mexico and the European Union.

just the sort of conditions lation of natural gas distri-

Helped by membership of speculative investors appear bution and power generation the North American Free to have ignored in their have attracted foreigners, government oil revenues, a competitive trade policy and emerging world after China. a domestic economy that is Despite problems at home, expected to grow some 4.5 per cent this year.

of the magnitude seen last year, when Mexico attracted \$11.7bn of foreign capital partly due to one-off corporate takeovers in the cigarette industry and consumer The corporations praise goods sector. But deregu-

Trade Agreement (Nafta), flight to the door: tight fiscal and investors are also eyeing Mexico has become the sec- action to offset a slump in the up-coming privatisation long-delayed scheme to perequity in undercapitalised state petrochemical plants as business opportunities.

"We are not fly-by-night investors," says Andres Davarsi, head of the Canadian Chamber of Commerce in Mexico. "The companies are very satisfied with their investments."

That is not to say those who spend on plant and equipment rather than stocks and bonds are safe. Mexico's best year for foreign direct investment was in 1994, when it attracted \$14bn as multinationals shrugged off a rebel uprising with the much-celebrated big devaluation and an economic crisis that it took two years to get over.

Economists warn that as Mexico becomes increasingly global in its export capacity, it is also increasingly exposed to global conditions that are now routinely described as at their most perilous in 50 years.

ity in areas where Mexican oriented assembly plants

tion of FDI will suffer." tion of two leading politi-cians. The year, which began increasing amounts of capilaunch of Nafta, ended in a politics ahead of presidential elections in 2000.

"We've hit a plateau of year," says Deborah Riner. ican Chamber of Commerce. "I don't see dramatic structural changes in the rest of this administration. To maintain that plateau,

the Trade and Industry ministry is putting a lot of faith in the steady rise of export-

aggressive," says Rogelio Ramirez de la O, a private economist. "As there is greater awareness of a global slowdown, Mexican recep-

Even some observers who say it is too early to predict tal may be constrained by

FDI at about \$9bn-10bn a chief economist at the Amer-

the US-Mexico border and are now spreading across the country. Known as maquilacomponents duty-free and pay export taxes only on the value added. According to Herminio Blanco, the trade minister, they are being established at the rate of 50 a month, and by mid-1998 there were almost 2,900 in

decade ago, employing almost im people. The growth of such indus-tries has transformed Mexican exports. What Mr Blanco describes as "old Mexico" products - such as oil and steel - have been eclipsed by the sale of cars, car parts. electrical appliances and household goods. The growth has been so rapid

Mexico, double the number a

that labour and housing shortages in border areas have become a serious constraint, and in 1997 twothirds of new maquiladoras were set up in the interior of the country as owners sought a more abundant - and therefore cheap-

er – labour crop.

This year, a Japanese manufacturer of car harnesses opened the first maquiladora in Chiapas, Mexico's poorest state. Elsesized suppliers have sprung up around large-scale manufacturers, turning Mexico into a smorgasbord of regional industries.

In Puebla, a state south of Mexico City, Mr Blanco says there are 70 suppliers, many from Europe, for Volkswa-gen's main Mexican plant located there. In Aguascal-Mexico, the establishment of a Nissan plant in 1981 acted as a similar magnet for Japathan two-thirds of the \$1.8bn of foreign direct investment

comes from Japan. Rule changes in the Nafta treaty in 2001 are expected to

maquiladoras whose suppli-ers are based outside North America, but the Trade Minfresh investment.

the best employers in Mexico and the government will do what it has to to maintain their competitiveness," says Jaime Zabludovsky, a deputy trade minister.

Ahead of trade negotiations with the European Union, Mexico has also signed investment treaties with seven European nations, granting their companies the right to take Mexico to an international tribunal if their investor rights are violated.

Some critics say the agreemore rights than Mexicans, who are denied access to the same courts. But Mr Zabludovsky defends the agreements on the grounds that they are reciprocal.

Deregulation in government ministries has cut the nies specialising in anti-jidter of days for companies and bodyguards are making applying for a licence to a beeline for Mexico.

some state governments - inimportance of attracting foreign investment - bffer to pay the wages of workers

while they are in training. Executives say red tape is still onerous, particularly in the energy sector that remains state dominated. and that complex tak laws - which can change every

business planning. Although Mexican are about a tenth of the equivalent level in the US. some 30 per cent of the Mexican workforce belongs to politically powerful utions. twice the level in the US. Government corruption is

The latest drawback is a soaring crime rate, which makes it difficult for foeign companies to attract manage ers to Mexico. On the oper



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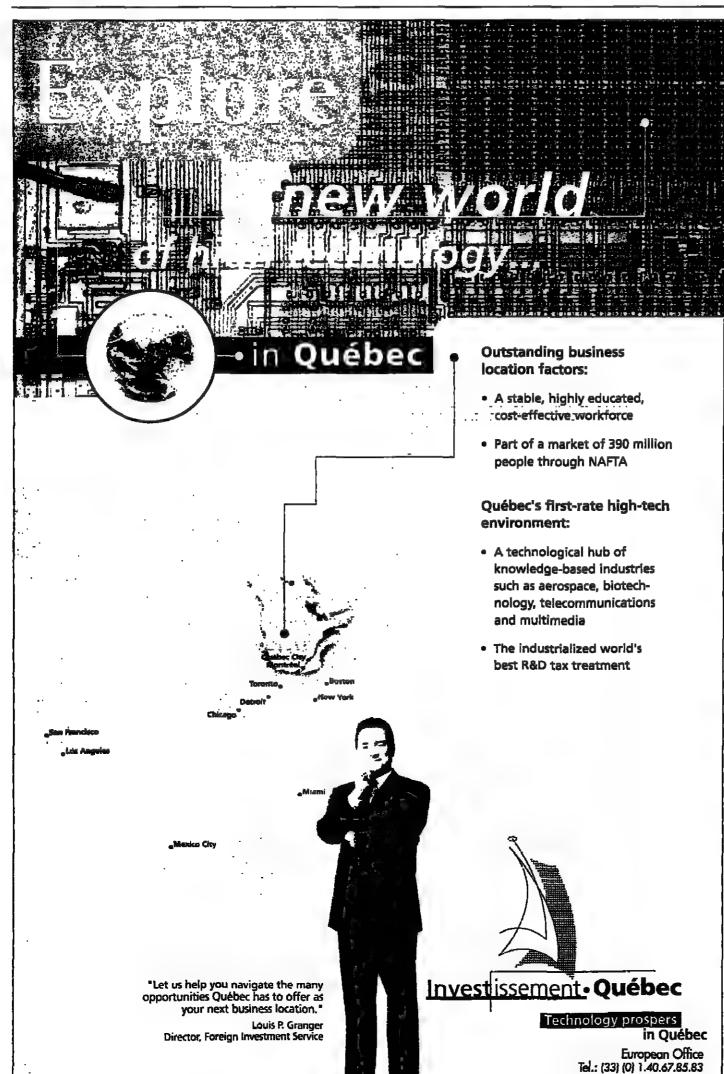
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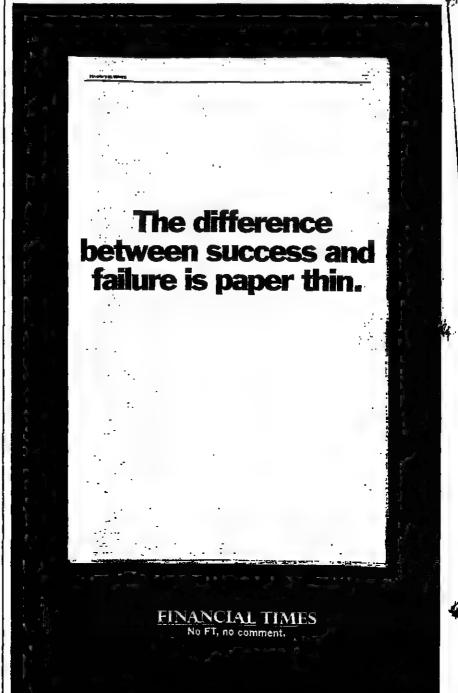
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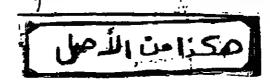
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# Rate cut hopes stiffen Europe

EUROPEAN OVERVIEW By Knozem Merchant

European stock markets abnormal perception of risk abnorma

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encouraged by expectations of a cut in US interest rates when the Federal Reserve policy-making committee meets today. The receding prospect of hostilities in the Gulf also helped to drive prices.

Europe, having fallen in the three years to 1993, are still only 22 per cent up from the 1990 cyclical peak. Provided the European economy continues to grow at a trend rate for the next 2-3 years. following the merger of the 1990 cyclical peak. Provided the European economy continues to grow at a trend rate for the next 2-3 years. following the merger of the 1990 cyclical peak. Provided the price of the best, driven by both stocks. A merger would create one of the world's biggest chemicals groups. Hoechst rose Ecu 1.10 to Ecu 40.14.

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TSE Eurotop 180	2522.88	+1.40	+37.11	2.53	37.95	803,80	bred cureosy sek	milion Irancia. Cur	أوراراها ألانك	<b>- 110</b>	wir DEM	0.3364,	FRF 0.2217	ML 0.182
TSE Ebloc 100	908.46	+5.26	+20.06	231	1444	922.55	MAR CUEST, MAT I	1409Fi, CP 1608	G, EP & F 1	, PRE CLE	16, 45	0.032	L PMA 0.018	7
SE Euroblie	1063.57	+0.53	+5.68	3.02	9.15	1110.76								
SE Eurobilio Ebbas	1130.39	+1.13	+12.67	25	0.02	1153.00								
E Formatio to City	1122.12	W.C.	+10.10	2.45	0.02	1143.54	BONDS							
E Europa 200 Pagle														
blec	1142.74	+2.24	+25.00	2.19	20,99	1186.51	INTEREST	RATE S	SWAPS					
on Co Combbo	1022.36	+0.26	+3.04	2.00	49.76	1088.88		9-Medi	Etra	5.96		-	١ ١	
pe Ex-Estables pe Ex-UK	1134,28	+8.58	+6.43	2.84	38.25 19.47	1102.00	May 16	Bhi Ank	M A	964		Bid.	Auk Bui	- 44
E Enrolle Industry &		V1.00	4657.10		. 1847	.1103302	1 year	350 362	3.06 3.72	6.80	6.53	5.07	5.10 0.3	6 0.30
	_						2 year	1.65	186 176		B.15	5.06	5.09 84	
DURCES .	860,48	1.02	-8.00	3.31	29.22	399.80	2 year	3.73 3.75	\$75 3.79	6.06	6.10	5.18	5.19 D.N	0.58
cha indusiries	751.23	-1.22	-0.27	4.50	14.54	767.10	4 year	3.55 3.00	3.87 3.91	6.05		127	526 0.8	
ntegrated	77.46	-1,81	-8.50	3.25	11.73	352.62	2 Jest	4.00 4.03	4.0t 4.05	6.00		5.26	5.31 0.7	
RAL MOUSTRANS	990.86	+2.02	+25.31	2.75	2010	TUTOAT	6 year 7 stair	4.15 4.18 4.28 4.21	429	5.96 5.91		5.32 5.39	5.42 0.8 5.42 0.9	
nation	941,76	+1.52	+14.00	220	11.06	350.72	g Aren	4.46 4.45	1.40 A.44	5.86			5/62 1.0	
ing Marie & March	379.66	+1.32	+14.09	254	11.U6 8.96	352.72 367.26	9 year	US 4.83	450 454	5.83		5.60	5.53 T.2	
	MAG	+286	+16.00	LAS	17.45	1625.60 18.220	10 year	4.38 4.51	4.99 4.83	5.81		5.36	5.59 1.3	
Sed Industrials	881.71	47.90	+16.62	2.65	17.48	907.01	12 year	4.74 4.77	435	5.78		5.70	5.73 1.5	
rooic & Bact Emin	857.60	+2.36	+19.79	5.00	5.41	882.36	15 year	4.93 4.96	4.95 4.97	5.76		5.82	5.85 1,7	
veries	819.36	+1.87	+15.07	4.00	11.00	629.34	20 year	5.13 5.16	A18 5.17	5.73			535 1.9	
				1.00	1.21	771.AL	25 year	5.27 5.36	5.25 5.31	5.72		5.93	5.95 2.0	
	770,48	+0.71	49.49	-000										
Point & Franks			+5,45				30 year	E.34 5.37	5.23 5.36	5.70	5.78	5.93	596 213	2.18
MER GOODS	1127.14	+1.13	+拉區	1.85	50,06	1202-00	30 year litt and ask rains	m of class of L	andre builde	L 16 8 e	e geolad		money sch	E/360 ha
roig & Franky MER GOODS Mes	11:07:54 619:55	+1.13	+42.76	1.85	\$0.08 10.25	1202.00	30 year life and sak rains	m of class of L	anthe bushes	L 115 S H	point		money solu	M/360 ha
Policy & Presiding MERI GOODS billing C Bevernigues	1137.54 819.55 812.43	+1.13 +5.50 +2.62	+12.EE +42.76 +23.84	1.85 2.77 2.91	50,08 10,25 296,78	1202-90 827.19 1359-28	30 year 30 and ask rake square I region II Desark and Exp by	m of class of L SSS, It said Yes o	artina bushom paradi qui di su para 30/300 bus		point	E tests	money selv	ecoso inc este (JBC) esten of §
Point & Franks MER GOODS falles to Gevernance roducers	11:07:54 619:55	+1.13 +5.50 +2.62 +1.48	+42.76 +42.76 +23.84 +14.08	1.86 2.77 2.91 1.57	50,08 10,25 296,79 11,84	1202.00 827/19 1350.26 977.35	30 year life and sak rains	m of class of L SSS, It said Yes o	artina bushom paradi qui di su para 30/300 bus		point	E tests	money solu	ecoso inc
Poig & Frening MER 60086 Mass to Beverages volucing and Bessiv & Thats	712/7.54 812.43 966.49	+1.13 +5.50 +2.62	+12.EE +42.76 +23.84	1.85 2.77 2.91	50,08 10,25 296,78	1202-90 827.19 1359-28	30 year 30 and ask rake square I region II Desark and Exp by	m of class of L SSS, It said Yes o	artina bushom paradi qui di su para 30/300 bus		point	E tests	money selv	
Point Franky MER 60006 shiles to Beverages Produces and Bessy & Tasts care	112(7.54) 519:55 912.43; 965.40 939.22 905.88 997.85	+1.13 +5.50 +2.62 +1.48 +2.58	+42.76 +23.34 +14.08 +24.60	1.85 2.77 2.91 1.57 2.01	50,08 10,25 296,79 11,84 7,86 13,31 8,27	1202.80 527.19 1350.25 977.85 945.25 919.48 1003.41	30 year 30 and ask rake square I region II Desark and Exp by	m of class of L SSS, It said Yes o	artina hashom paradi qu' 2 su neri 30/300 has		point	E tests	money selv	ecoso inc
Profit & Frankly Like Pt 60006  mblos stic Georges Frankles Story	1137.54 819.55 912.45 966.40 938.22 905.88	+1.13 +5.90 +2.62 +1.48 +2.58 +3.02	+12.55 +42.76 +23.84 +14.06 +22.60 +26.59	1.66 2.77 2.91 1.57 2.01	50,08 10,25 296,79 11,84 7,86 13,31	1202.00 127.19 1350.28 907.38 945.25 919.48	30 year 30 and ask rake square I region II Desark and Exp by	m of class of L SSS, It said Yes o	artina hashom paradi qu' 2 su neri 30/300 has		point	E tests	money selv	ecoso inc
r, Pois & France Blader 60006 mobiles hafe Sevenges I Produces where & Tiets Vicery macaulitate 1222	112(7.54) 519:55 912.43; 965.40 939.22 905.88 997.85	+1.13 +5.50 +2.62 +1.48 +2.58 +3.02 +0.61	+12.55 +42.76 +23.34 +14.06 +23.60 +28.59 +6.03	1.66 2.77 2.91 1.57 2.01 1.29 1.29	50,08 10,25 296,79 11,84 7,86 13,31 8,27	1202.80 527.19 1350.25 977.85 945.25 919.48 1003.41	30 year lift and ask rates inguise if meetin 13 D-mark and Ear ou 1 year rate which to	m of close of it ISSL t and Yes other on arrund in squared agelent 3	active harlow pand or a se our 30/307 he county (#08)	L LIS & w	t quoted activities 5 month	E beside LIBOR Source	money schi against it to selfs the sec priercapital	ecoso inc
m, Polig & Preside ISTANCES GOODS moduling moduling forologies stirctly bloom moduling moduling MCCS MCC	112(7.54) 619.55 912.43 965.40 939.22 905.88 937.85 1254.90	+1.13 +5.50 +2.62 +1.43 +2.58 +3.02 +0.61 +0.03	+12.05 +42.76 +23.84 +14.06 +23.60 +28.59 +8.63 +0.35	1.66 2.77 2.91 1.57 2.01 1.29 1.29 4.91	50,06 10,25 296,78 11,84 7,86 13,37 8,27 16,86	1202-90 827/19 1359-26 977-95 945-25 919-48 1003-41 1272-15	30 year ask rates in the inguiser it measure it in the inguiser it in the inguiser it is pear rate which he government which he government which he government which he is not become ask of the inguiser in t	m of close of L ISS, it said Yes that on around to qualed against 3 ENT BO	action business or 3 Section business Section 1908.	EAD	S VS	E best	money ects and in all the acc priescopius	m/360 transition of the Brokery Life
r, Polig & Francis SUMER GOODS mobiles note Sevenges Frodozen social Sevenges social Sevenges s	1127.14 519.55 912.45 905.48 905.88 907.85 1254.90 1111.81	+1.13 +5.50 +2.62 +1.48 +2.58 +3.02 +0.61 +0.00	+12.08 +42.76 +23.34 +14.08 +22.60 +26.79 +8.03 +0.35 +10.78	1.86 2.77 2.91 1.57 2.01 1.29 4.91 2.12	59,08 10,25 296,78 71,84 7,98 13,31 8,27 15,86 22,71	1202.80 827.19 1359.28 907.85 945.25 919.48 1003.41 1272.15 1143.02	30 year lift and ask rates inguise if meetin 13 D-mark and Ear ou 1 year rate which to	m of close of it ISSL t and Yes other on arrund in squared agelent 3	active harlow pand or a se our 30/307 he county (#08)	EAD	S VS	E beside LIBOR Source	money schi against it to selfs the sec priercapital	m/360 transition of the Brokery Life
r, Point & Frankling Stander Goods mobiles mobiles Produces Produces And Sensor & Tanto harm manufacture Sensor Models Mo	11:07:14 519:35 912:45:966.48 908:22 905:88 907:18 1254:90 1111:31 760:76	+1.13 +5.90 +2.62 +1.48 +2.58 +3.62 +0.61 +0.03 +0.96	+12.56 +42.76 +23.54 +14.08 +22.60 +26.79 +6.03 +0.35 +10.76	1.85 2.77 2.81 1.57 2.01 1.29 1.29 4.91 2.12	59,08 10,25 296,78 11,84 7,98 13,31 8,27 15,96 22,71	1202-80 1527-19 1359-28 907-85 945-25 919-48 1003-41 1272-15 1142-03 789-31	30 year ask rates in the inguiser it measure it in the inguiser it in the inguiser it is pear rate which he government which he government which he government which he is not become ask of the inguiser in t	m of close of L ISS, it said Yes that on around to qualed against 3 ENT BO	action business or 3 Section business Section 1908.	EAD	S VS	E best	money ects and in all the acc priescopius	m/360 top motor LIBO aption of the Bethury L
r, Poigr & Frankling Stander Goode mobiles profile Geverages Produces storid Sensir & Turb harm manufactula 222 MCES buffen pr. & NAMM ere, Poel	11:07.14 519.36 912.45 965.40 938.22 905.88 927.86 1254.90 1111.81 780.76 893.97	+1.13 +5.90 +2.52 +1.63 +2.53 +0.61 +0.03 +0.03 +0.03 -1.20 -4.53 -4.53	+12.55 +12.76 +22.34 +14.08 +32.60 +33.79 +8.03 +0.75 +10.79 -9.65 -17.29 -5.00 -5.00	1.85 2.77 2.91 1.97 2.01 1.29 4.91 2.12 2.85 3.55 2.33 2.05	\$0,08 10,25 296,79 11,94 7,96 13,31 8,27 16,86 22,71 11,57 12,27	1202-80 E27-19 1359-28 977-85 945-25 919-48 1003-41 1272-15 1140-02 769-31 703-85	30 year like and color space it makes and feel per per color which is government of the color per color which is government of the color in the colo	m of close of 1 ES, 2 and 7 m on around in quelet against 3 ENT BOI 2 year	action business or 3 Section business Section 1908.	EAD	s quotad securiti 8 month	E best	money schi	ecisio tra citta (180 spino di 9 Bolum II
Policy & Presting LEAGER GOODE Inching GOODE Inching Government Production Good Bearing & Tarifo Learn	11.07.14 519.35 912.45. 965.40 965.40 965.20 965.88 967.35 1254.90 1111.81 760.76 965.71 965.71 965.71	+1.13 +5.50 +2.62 +1.68 +2.58 +3.02 +0.61 +0.63 +0.68 -1.26 -4.58 -4.58 -4.58	+12.56 +12.76 +22.34 +14.08 +23.60 +28.79 +8.63 +10.76 +10.79 -9.86 -17.29 -5.08	1.86 2.77 2.91 1.57 2.01 1.29 4.91 2.12 2.85 8.56 2.33 2.09 2.37	50,08 18,25 296,78 11,58 13,51 8,27 16,88 22,71 11,57 12,27 10,68 14,17 20,46	1202.80 827.19 1359.28 977.85 945.25 945.25 9103.41 1272.15 1140.02 789.31 703.85 965.81 1069.20 961.07	30 year and sub; rahas inguise. If market and East out 1 year rate which is GUVERNM liter 15.  Ther' Table Assists belopses	m of close of L ESR, It set Yes that or armed in queled against 3 ENT BOIL 2 yes -4.00 HO.13	andon harbon pend of 2 m nor 30,000 his county USON 5 yrs - 40,01	EADS 7 po	s quotad selectiva s month	EC yes	20 year-	acception of the second
r, Point & Frankling Standing Goods mobiles mobiles Produces Produces And Standing & Tiefs house Standing Stand	11:07:14 519:35 912:45 966:46 988:22 905:38 927:35 125:490 1111:31 760.76 893:37 995:71 994:81	+1.13 +5.50 +5.60 +5.60 +1.60 +0.61 +0.60 +0.60 +0.60 -1.50 -0.64 +0.64 +0.60	+12.55 +12.76 +12.34 +14.06 +22.09 +8.05 +10.75 +10.76 -17.29 -5.06 -2.46 +22.49	1.86 277 281 1.57 2.01 1.20 1.20 4.01 2.12 2.85 2.33 2.03 3.37 1.26	50,08 16,25 296,78 11,51 8,27 16,88 22,71 11,57 12,27 10,68 14,17	1202.80 127.19 1359.28 907.36 907.36 903.41 1272.15 1143.82 709.31 703.85 905.81 1009.20 905.29	30 year and set sales in the set of the set	m of close of 1 ms, t soft free limit on arrest to m on arrest to maked against 3 2 yea  -4.00 -0.13 -0.17	andos harloss period pr 2 m ner 30/300 ha emathy USON 5 yrs - +0.63 +0.67	FAD: 7 pp	S VS	BUTTON SOUTH	20 yes	Britary I
r. Point & Franks SIMMER 60006 mobiles mobiles Produces Produces Model Geverages Produces Model Geverages Produces Model Geverages Model Gever	1137.44 819.35 912.45 965.40 986.50 987.35 1254.90 1111.31 760.75 983.71 984.81 881.85 1042.61 984.81	+1.13 +5.50 +2.52 +1.48 +2.52 +3.62 +0.00 +0.00 +0.00 -1.20 -1.20 -0.62 -0.62 -2.13	+12.56 +12.34 +14.66 +32.59 +8.63 +10.79 -9.66 -17.79 -5.66 -2.46 -2.46 -2.46 -78.27	1.86 2.277 2.91 1.57 2.01 1.29 4.91 2.12 2.86 2.93 2.93 2.93 2.93 2.93 2.93 2.95 3.96	50.08 10.25 296.79 11.84 7.86 13.71 16.85 22.71 11.57 12.27 10.88 14.17 20.46 14.17 20.46 16.80	1202.90 527.19 1359.28 997.28 996.25 918.48 1002.41 1272.15 1142.62 789.31 703.85 987.87 1069.20 987.87 1069.20 987.87 1069.20 987.87	30 year life and ask raths suggest it measured. To present and first out it year case which is governed to the control of the case of the	m of clase of 4 MSA, 2 and 7m of class of 2 MSA, 2 and 7m of class of 2 MSA, 2 and 10  2 year  -4.66  -0.13  -0.17	andon harbon pend or 2 m nor 30,300 has enable URON 5 yes +0,63 +0,07 +0,67 -0,11	FAD: 7 po +0.16 +0.27 -0.07	s quoted s room s room 10	ECC Syrs	20 yea -0.57 +0.03 -0.51 -0.07	accided to server Uto
SIMMER GOODS  SIMMER GOODS  Mobiles  Producing  And I have a Timb  form  Mary a Timb  Mary a Tim	1137.44 812.45 912.45 912.45 915.88 977.89 177.89 1117.81 760.76 983.97 983.91 983.91 1912.81 811.88 1912.61 817.44	+1.13 +5.50 +2.82 +1.48 +2.51 +0.61 +0.00 +0.00 -1.20 -1.20 -1.20 -0.64 -2.27 +2.20 +2.23 +2.66	+12.88 +12.34 +14.86 +22.90 +32.90 +32.90 +32.90 +32.90 +10.70 -17.90 -17.90 -2.90 +22.90 +22.90 +32	1.95 2.77 2.91 1.97 1.29 1.29 1.29 1.29 2.12 2.12 2.15 2.17 1.25 2.17 1.25 2.17 1.25 2.17 1.25 2.17 1.25 2.17 1.25 2.17 1.25 2.17	50.08 10.25 296.79 11.84 7.86 13.31 8.27 16.88 22.71 11.57 12.27 10.68 14.17 20.46 13.06 14.00 9.07	1202.90 E27.19 1359.26 977.85 945.25 919.48 10024.15 1142.82 769.31 703.85 965.82 965.82 965.82 965.82 965.82 965.82 965.82 965.83 965.	30 year and substitute to the	m of clase of a  EE, t and the  Country of annual to  Guidel against 3  ENT BOI  2 yes  -4.00  H0.13  -9.17  -9.15	Andrea headons period or 2 ser period or 3 ser period or 4 ser	FAD: 40.26 +0.16 +0.17 -0.07 +0.07	5 VS	EC June Source S	20 yes -0.57 -0.51 -0.51 -0.51 -0.51	Brokers I
in, holy a France interest occors mobiles mobiles forodocum mobile forodoc	1137.44 512.55 912.40 965.40 965.40 965.40 965.45 125.43 1111.50 1111.	+1.13 +5.50 +2.50 +2.50 +1.60 +0.51 +0.00 +0.00 -1.50 -1.50 -0.57 +2.20 +2.20 +2.20 +2.20 +1.61 +1.61 +1.61 +1.62 +1.63 +1.64 +1.63 +1.64 +1.64 +1.64 +1.64 +1.64 +1.64 +1.65	+12.55 +12.76 +22.34 +14.66 +22.69 +32.99 +6.65 +10.79 -2.66 -17.29 -5.69 +22.49 +22.49 +13.70	1.86 2.77 2.91 1.97 1.29 1.29 1.29 1.29 2.12 2.85 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.93	\$0.08 10.25 296.79 11.84 7.86 13.51 15.51 15.57 16.86 22.71 11.57 12.27 10.86 14.17 20.46 13.02 16.80 18.07 18.24	1202.90 E27.19 1390.26 977.86 945.25 919.49 1093.41 1272.15 1142.02 769.31 1065.29 761.40 927.11 965.81	30 year and set sales super 1 most set of the set of th	m of clase of 1 MSA, It was the point or assual to quoted against 3 ENT BCH 2 yes -4.00 H-0.13 -0.15 -0.16 -0.06	andre harbon pend of 2 m out SEASO has realthy LBOR 5 yrs 5 yrs -0.63 +0.07 -0.07 -0.09	FAD: 7 po +0.26 +0.16 +0.27 -0.07 +6.24	5 VS	EC 3 yes 0.09 0.05 0.05 0.05 0.05 0.05	20 yes -0.57 -0.57 -0.11 -0.15	SE 3  +0.1  -0.1  -0.1  -0.1  -0.1
ELIMER GOODS  STATES GOODS  ST	1137.94 812.95 912.45 985.49 985.49 985.49 97.88 97.88 97.87 905.71 994.81 881.97 994.81 881.97 994.81 881.97 994.81 881.97 995.71 994.81 881.97 995.71	+1.13 +5.56 +2.82 +1.48 +2.82 +0.81 +0.81 +0.81 +0.81 -0.27 -0.27 +2.20 -2.13 +2.20 +1.46 +2.20	+12.EE +42.76 +42.34 +14.86 +32.90 +33.90 +40.90 +10.70 -9.66 -17.5.00 -5.00 -5.00 -5.00 -7.5.	1.86 2.77 2.91 1.97 2.07 1.29 1.29 1.29 2.12 2.85 2.56 2.57 2.05 3.56 1.75 1.26 3.56 1.75 2.26 0.41	\$0.08 10.25 296.73 11.84 7.86 13.51 15.57 16.86 22.71 11.57 12.27 10.86 14.17 20.46 13.02 16.80 14.22 14.22 14.22 14.22 14.22 14.22 14.22 14.22 14.22 14.22 14.24 14.24 14.24	1202.90 527.19 1350.25 597.85 910.25 910.95 11002.41 1002.41 1002.20 955.81 1005.20 955.81 1005.27 761.40 927.17 956.81 678.26	30 year and substitution of the control of the cont	m of close of 1 mm, t and the close of a small be comed a small be considered a small be considered a small be considered a small be considered as the consi	Anthon bushom wind or 1 are not 50/500 between \$1.500 between \$1.5	EAD: 7 90 +0.26 +0.27 -0.07 +0.42 +0.42 +0.42 +0.42	5 WS	EC 3 yes 0.09 0.19 0.19 0.19	20 yes -0.57 -0.11 -0.07 -0.11 +0.15 +0.16	36 y 40.1 -0.1 -0.2 -0.2 -0.3
ELIMEN COORS  Marking COORS  Marking COORS  Marking Coors  Produces  Strate Technique  Broken  ELIMEN  MCBS	1137.44 512.55 912.40 965.40 965.40 965.40 965.45 125.43 1111.50 1111.	+1.13 +5.50 +2.50 +2.50 +1.60 +0.51 +0.00 +0.00 -1.50 -1.50 -0.57 +2.20 +2.20 +2.20 +2.20 +1.61 +1.61 +1.61 +1.62 +1.63 +1.64 +1.63 +1.64 +1.64 +1.64 +1.64 +1.64 +1.64 +1.65	+12.55 +12.76 +22.34 +14.66 +22.69 +32.99 +6.65 +10.79 -2.66 -17.29 -5.69 +22.49 +22.49 +13.70	1.86 2.77 2.91 1.97 1.29 1.29 1.29 1.29 2.12 2.85 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.93	\$0.08 10.25 296.79 11.84 7.86 13.51 15.51 15.57 16.86 22.71 11.57 12.27 10.86 14.17 20.46 13.02 16.80 18.07 18.24	1202.90 E27.19 1390.26 977.86 945.25 919.49 1093.41 1272.15 1142.02 769.31 1065.29 761.40 927.11 965.81	30 year and set sales super 1 most set of the set of th	m of clase of 1 miles. It said the arms in a small is quited against 2 year -4.00 -4.17 -0.15 -0.06 +0.06 -0.18 -0	andre harbon pend of 2 m out SEASO has realthy LBOR 5 yrs 5 yrs -0.63 +0.07 -0.07 -0.09	FAD: 7 po +0.26 +0.16 +0.27 -0.07 +6.24	5 WS	EC 3 yes 0.09 0.05 0.05 0.05 0.05 0.05	20 yes -0.57 +0.03 -0.11 -0.11 -0.16 -0.00 -0.00	36 y 40,1 -0.1 -0.1 -0.1 -0.1 -0.1 -0.1
INT. Policy of Princing INTERIOR GOODS  NORTHING INTERIOR GOODS  NORTHING INTERIOR GOODS  NORTHING INTERIOR GOODS  INTERIOR GO	1137.94 812.95 912.45 985.49 985.49 985.49 97.88 97.88 97.87 905.71 994.81 881.97 994.81 881.97 994.81 881.97 994.81 881.97 995.71 994.81 881.97 995.71	+1.13 +5.56 +2.82 +1.48 +2.82 +0.81 +0.81 +0.81 +0.81 -0.27 -0.27 +2.20 -2.13 +2.20 +1.46 +2.20	+12.EE +42.76 +22.34 +32.69 +32.69 +32.69 +10.76 -4.69 -12.76 -2.69 +22.69 +13.70 +22.69 +23 +23 +23 +23 +23 +23 +23 +23 +23 +23	1.05 2.77 2.91 1.97 2.01 1.29 4.91 2.12 2.85 2.33 2.95 2.93 2.95 2.93 2.95 2.95 2.95 2.95 2.95 2.95 2.95 2.95	90.08 18.25 298.78 11.94 7.86 13.31 8.27 16.88 22.71 11.57 12.27 10.88 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 2	1202.90 527.19 1350.25 597.85 910.25 910.95 11002.41 1002.41 1002.20 955.81 1005.20 955.81 1005.27 761.40 927.17 956.81 678.26	30 year 30 year 180 and ant calma inguise. It reads 13 for 18 year cats which is 1 year cats which is 19 year	m of clase of 1 MSE, 2 and 7 m of clase of 2 MSE, 2 and 7 m of clase of 2 MSE, 2 MSE of Clase	Anthon bushom word or 1 are not 50 200 between 50 2	FAD: 7 pp +0.26 +0.27 +0.07 +0.07 +0.02 +0.18 +0.22 +0.18 +0.22 +0.18 +0.22 +0.18 +0.24 +0.25 +0.18 +0.25 +0.18 +0.25 +0.18 +0.25 +0.18 +0.25 +0.18 +0.25 +0.18 +0.25 +0.18 +0.25 +0	S VS	EC 3 yrs 0.01 0.11 0.19 0.00 0.00 0.01 0.11 0.19 0.00 0.00	20 years   10 years	#260 to #260 t
m. Poig # France  SIMMER GOODS  mobiles  both Gevenness  froducion  motif limit # Timb  froducion  motif limit   Timb  motif limi	11.07.54 812.95 912.45 960.22 965.89 997.89 1254.90 1111.81 790.76 995.71 994.81 881.87 994.81 981.8	+1.13 +5.90 +2.82 +1.48 +2.58 +3.80 +4.60 +0.00 +0.00 -1.20 -4.50 -4.50 +2.50	+拉里 +拉克 +拉利 +拉纳 +拉纳 -拉纳 -拉纳 -拉纳 	1.86 2.77 2.91 1.87 2.07 1.29 4.91 2.12 2.86 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.94 1.95 2.83 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.9	50.04 18.25 296.78 11.84 7.86 15.51 8.27 16.86 22.71 11.57 12.27 10.82 18.02 1	1202-90 527-19 1350-26 97-18 97-18 99-12 99-12 99-14 1002-4 1272-15 1140-8 1062-20 761-87 1062-20 771-10 98-81 87-10 87-10 1510-15 1104-45 1202-96	30 year 30 and ant sales inguise it market it beaut and Eas ou 1 year rate which is The "Be" Assists Belgium Roman	m of clase of 1 miles. It said the arms in a small is quited against 2 year -4.00 -4.17 -0.15 -0.06 +0.06 -0.18 -0	Andrea bushom grand or a second SO/SID between SO/S	FAD: 40.28 +0.18 +0.27 -0.07 +0.14 +0.12 +0.14	S VS	EC 3 yrs 9.61 0.08 0.20 0.11 0.19 0.08 0.08 0.08	20 yes -0.57 +0.03 -0.11 -0.11 -0.16 -0.00 -0.00	#040 Telescope
E. Policy & Francis  SUMER 60006  mobiles  Froduces  Fro	11:37:34 512:35 912:45 912:45 903:22 905:88 907:35 1254:90 1111:31 790:25 19	+1.13 +5.50 +2.82 +1.48 +2.53 +3.82 +0.00 +0.00 -1.20 -1.20 -1.20 -2.13 +2.20	+12.EE +42.76 +22.34 +32.69 +32.69 +32.69 +10.76 -4.69 -12.76 -2.69 +22.69 +13.70 +22.69 +23 +23 +23 +23 +23 +23 +23 +23 +23 +23	1.05 2.77 2.91 1.97 2.01 1.29 4.91 2.12 2.85 2.33 2.95 2.93 2.95 2.93 2.95 2.95 2.95 2.95 2.95 2.95 2.95 2.95	90.08 18.25 298.78 11.94 7.86 13.31 8.27 16.88 22.71 11.57 12.27 10.88 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 2	1202.90 E27.19 1350.25 977.85 962.25 918.45 11028.47 11028.47 11028.57 955.81 11058.29 795.81 957.25 957.17 968.81 978.81 978.81 978.81 978.81 978.81	30 year and and reference to receive to pear rate which is pear rate which is a pear rate whi	m of clase of 4 MSS, 2 and 7m of class of 2 MSS, 2 and 7m of class of 2 MSS, 2 and 10 Quality of class of 2 MSS, 2	Anthon bushom and or a second south of a second	FAD: 7 pp +0.26 +0.27 -0.07 +0.22 +0.14 +0.23 +0.14	S WS	EU Surus Su Surus Surus Surus Surus Surus Su Surus Surus Surus Su	20 years   10 years	36 y +0.0 -0.0 -0.0 -0.0 -0.0 -0.0 -0.0 -0.0
Training Francis  States 60006  mobiles  mobiles  Produces  Produces  Froduces  Froduc	11.07.54 812.95 912.45 960.22 965.89 997.89 1254.90 1111.81 790.76 995.71 994.81 881.87 994.81 981.8	+1.13 +5.90 +2.82 +1.48 +2.58 +3.80 +4.60 +0.00 +0.00 -1.20 -4.50 -4.50 +2.50	+拉里 +拉克 +拉利 +拉纳 +拉纳 -拉纳 -拉纳 -拉纳 	1.86 2.77 2.91 1.87 2.07 1.29 4.91 2.12 2.86 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.94 1.95 2.83 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.9	50.04 18.25 296.78 11.84 7.86 15.51 8.27 16.86 22.71 11.57 12.27 10.82 18.02 1	1202-90 527-19 1350-26 97-18 97-18 99-12 99-12 99-14 1002-4 1272-15 1140-8 1062-20 761-87 1062-20 771-10 98-81 87-10 87-10 1510-15 1104-45 1202-96	30 year and substitute to the	m of clase of 1 mm. Park to make the common of the common	### August   August   ### August   #### August   ##### August   ##### August   ##### August   ##### August   ####################################	FAD: 7 yra +0.26 +0.16 +0.27 +0.27 +0.27 +0.24 +0.28 +0.14 +0.26	S WS	EU 3 ym 8000 8000 8000 8000 8000 8000 8000 8	20 yea -0.57 +0.03 -0.07 -0.15 +0.16 +0.06 +0.05 -0.01	#260 to #260 t
Training Strategy Strategy Coope morbing morbing Producers acted Sensors Producers acted Sensors Training MCES Strategy TOES MCES MCES MCES MCES MCES MCES MCES MC	1127.94 812.95 912.45 965.49 965.69 997.89 1254.90 1111.81 790.76 983.97	+1.13 +5.90 +2.82 +1.82 +3.82 +3.82 +0.63 +0.63 -1.29 -4.83 +2.20 +2.20 +2.20 +2.20 +2.20 +2.20 +1.40 +2.20 +0.20	+12.8 +42.76 +22.94 +12.90 +82.90 +82.90 +10.70 -10	1.86 2.77 2.91 1.97 1.29 1.29 1.29 2.12 2.85 2.95 2.95 2.95 2.95 2.95 2.95 2.95 2.9	50.08 10.25 296.73 11.96 13.51 5.27 16.88 22.71 10.68 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 25.23 25.23 38.72 27.32	1202-90 527.19 1350.26 597.16 597.16 597.16 591.48 1002.41 1272-15 1142.42 769.31 703.95 1050.20 761.40 765.29 761.47 963.81 678.25 1104.45 1222.51 11063.20	30 year and and reference to receive to pear rate which is pear rate which is a pear rate whi	m of clase of 4 MSS, 2 and 7m of class of 2 MSS, 2 and 7m of class of 2 MSS, 2 and 10 Quality of class of 2 MSS, 2	Anthon bushom and or a second south of a second	FAD: 7 pp +0.26 +0.27 -0.07 +0.22 +0.14 +0.23 +0.14	S WS	EU Surus Su Surus Surus Surus Surus Surus Su Surus Surus Surus Su	20 years   10 years	######################################
SIMMER GOODS SIMMER GOODS SIMMER GOODS SIMMER GOODS SIMMER GOODS SIMMER GOODS FOR GOOD	11:27:34 512:35 912:45 912:45 903:22 905:88 907:35 1254:90 1111:31 790:25 1945:71 1945:81 1947:81 1947:81 1948:81	+1.13 +5.90 +2.82 +1.48 +2.58 +3.82 +0.00 +0.00 +0.00 -1.20 -1.20 -2.27 +2.20 +1.40 +2.20 +0.20	+12.84 +42.76 +22.344 +22.96 +32.96 +32.96 +32.96 +10.76 -2.96 +22.97 +12.70 +22.97 +12.70 +22.96 +12.70 +22.96 +12.70 +22.96 +12.70 +22.96 +12.70 +22.96 +12.70 +12.70 +12.70 +12.70 +12.96 +12.70 +1	1.95 2.77 2.91 1.97 2.01 1.29 4.91 2.12 2.85 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.93	50.08 10.25 296.78 11.84 13.97 16.88 22.71 11.57 12.27 10.88 14.17 30.46 13.02 14.02 13.02	1202-90 527.19 1350.26 577.19 1350.26 577.16 577.16 1402.21 799.31 709.31 709.31 709.31 1000.20 799.10 1005.20 791.40 578.31 1005.20 791.40 1055.29 791.40 1055.29 1571.17 1055.31 1104.45 1122.47 1122.47 1122.47 1122.47	30 year and set rather regions. It maybe and set rather regions and the put of the period of the per	m of clase of 1 mm. The class of	Andrea bashons grand or a see our 30/300 bell or a see our 30/300 bell or a see our 30/300 bell or andre USOR bell or andre USOR bell or a see our 30/300 bell or 30/300 be	FAD: 7 pm +0.26 +0.27 -0.07 +6.34 +0.22 +0.14 +0.23 +0.14 +0.23 +0.14 +0.23 +0.14 +0.24	S WS	EU 1 BOR 2 BURN 1 BOR 1 BURN 1 BU	20 yes -0.57 -0.57 -0.03 -0.57 -0.11 -0.05 +0.16 +0.06 +0.03 +0.16 +0.06 +0.03 +0.16 +0.06 +0.03 +0.17	######################################
SUMMER GOODS  SUMMER GOODS  SUMMER GOODS  SUMMER GOODS  SUMMER GOODS  Freducin  SUMMER GOODS  Freducin  SUMMER GOODS  SUMMER GOO	1127.94 812.95 912.45 965.49 965.69 997.89 1254.90 1111.81 790.76 983.97	+1.13 +5.90 +2.82 +1.82 +3.82 +3.82 +0.63 +0.63 -1.29 -4.83 +2.20 +2.20 +2.20 +2.20 +2.20 +2.20 +1.40 +2.20 +0.20	+社里 +社276 +社276 +社289 +社289 +社289 +社289 +社289 -1729 -1729 -1729 +社277 -1729 +社277 -1729 +社287 -1729 +社287 -1729 +社287	1.95 2.77 2.91 1.97 2.01 1.29 4.91 2.12 2.85 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.93	50.08 10.25 286.73 11.84 13.91 16.88 22.71 11.57 12.27 10.68 14.17 30.46 13.02 16.00 14.07 18.07	1202.00 E27.19 1350.25 977.85 945.25 918.46 11072.45 1110.02 799.35 793.85 955.81 1093.27 1095.29 793.85 957.17 985.81 972.15 1104.45 1222.59 1104.45 1222.59 11077.36	30 year and substitute the substitute to the sub	## of clase of 1 MS, It had he will have a small in ments of a sma	### ##################################	FAD: 7 pm +0.26 +0.87 -0.07 -0.07 -0.04 +0.22 +0.14 +0.23 +0.14 +0.23 +0.14 +0.24 +0.14 +0.25 +0.14 +0.27 +0.14 +0.27 +0.14 +0.27 +0.14 +0.27 +0.14 +0.27 +0.14 +0.27 +0.14 +0.27 +0.14 +0.27 +0.14 +0.27 +0.27 +0.28 +0.27 +0.27 +0.28 +0.27 +0.27 +0.28 +0.27 +0	s quotad sono sono sono sono sono sono sono son	EC 1 100 1 1	20 yea -0.57 +0.03 +0.05 +0.06 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05 +0.05	36 y 40.1-0.1-0.1-0.1-0.1-0.1-0.1-0.1-0.1-0.1-
ELIMEN GOODS  MINIST GOODS  MI	11.07.34 812.35 812.45 812.45 813.22 815.85 897.35 1254.90 1111.81 1254.90 1111.81 1012.61 740.75 841.81 1012.61 740.75 1073.72 1184.82 1043.85 1147.08 787.76 1043.85 1147.08	+1.13 +5.90 +2.82 +1.82 +2.83 +3.82 +0.63 +0.63 -1.29 -4.84 +2.20 +2.20 +1.44 +2.20 +0.20 +1.44 +2.20 +1.45 +1.46	+12.55 +42.76 +42.76 +42.59 +82.59 +82.59 +10.70 -9.56 -7.50	1.85 2.77 2.91 1.97 2.97 1.29 1.29 1.29 2.12 2.85 2.95 2.95 2.95 2.95 2.95 2.95 2.95 2.9	50.08 10.25 296.73 11.84 12.51 5.27 16.88 22.71 11.57 12.27 10.68 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 14.17 20.48 20.23	1202-90 E27.19 1390-26 897.86 897.86 994.22 994.94 1092.41 1272-15 1142.42 789.31 1092.20 985.87 1092.20 781.40 997.81 11513.15 11042.53 1177.36 1177.36	30 year and set sales super 1 most set of the set of th	m of clase of 1  ES. 1 and 7m of clase of 1  ES. 2 and 7m of class of 1  ENT BCH  2 ym  -0.00  -0.17  -0.18 -0.15 -0.06  +0.86 -0.13 -0.13 -0.13 -0.13 -0.15	Anthon bushom grand or a sure of 20 year of	1 15 2 1 15 2 10 10 10 10 10 10 10 10 10 10 10 10 10	S VS	EU 1000 1000 1000 1000 1000 1000 1000 10	20 yes  -0.57 -0.57 -0.15 -0.67 -0.16 -0.08 -0.23 -0.51 -0.08 -0.16 -0.08 -0.18 -0.08 -0.18 -0.08 -0.18 -0.08 -0.1	### UPD TO THE PROPERTY OF THE
ELIMET GOODS  MODISIS GOODS  MODISIS GOODS  MODISIS GOODS  MODISIS GOODS  Frederings  Frederings  Frederings  MICES  MICE	1127.94 812.95 912.45 985.49 985.49 985.49 1254.90 1111.31 780.76 983.91 984.81 981.91 984.81 981.91 1402.81 1402.81 1402.81 1402.81 1402.81 1403.81 1	+1.13 +5.90 +2.82 +1.48 +2.53 +3.82 +0.03 +0.03 +0.03 -1.20 -2.13 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40 +2.20 +1.40	+12.84 +42.76 +22.94 +22.96 +32.96 +32.96 +32.96 -10.76 -9.86 -10.76 -9.86 +10.76 -9.86 +10.76 -17.86 +10.7	1.85 2.77 2.91 1.57 2.07 1.29 4.89 2.12 2.85 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.93	50.08 10.25 286.73 11.84 13.91 16.88 22.71 11.57 12.27 10.68 14.17 30.46 13.02 16.00 14.07 18.07	1202-90 E27.19 1350.29 97.18 97.18 97.18 97.18 97.18 97.18 1102.21 99.31 790.31 790.31 1052.20 955.81 1052.20 957.17 955.81 972.25 1104.45 1202.54 1098.30 1177.36	30 year and substitute the substitute to the sub	m of clase of 1  ES. 1 and 7m of clase of 1  ES. 2 and 7m of class of 1  ENT BCH  2 ym  -0.00  -0.17  -0.18 -0.15 -0.06  +0.86 -0.13 -0.13 -0.13 -0.13 -0.15	Anthon bushom grand or a sure of 20 year of	1 15 2 1 15 2 10 10 10 10 10 10 10 10 10 10 10 10 10	S VS	EU 1000 1000 1000 1000 1000 1000 1000 10	20 yes  -0.57 -0.57 -0.15 -0.67 -0.16 -0.08 -0.23 -0.51 -0.08 -0.16 -0.08 -0.18 -0.08 -0.18 -0.08 -0.18 -0.08 -0.1	36 y  40.8  -0.0  -0.2  -0.2  -0.4  -0.0  -0.2  -0.2  -0.0  -0.2  -0.0
mr. Pulis Frame, mr. Pulis Frame, mr. Marchael monthles polis Sevenges d Produces monthles micro monthles monthles micro monthles micro monthles monthles micro monthles	11:37:34 812:35 912:45 912:45 912:45 913:42 915:49 9111:31 790:25 191:45 191	+1.13 +5.90 +2.82 +1.82 +2.83 +3.82 +0.63 +0.63 -1.29 -4.84 +2.20 +2.20 +1.44 +2.20 +0.20 +1.44 +2.20 +1.45 +1.46	+12.55 +42.76 +42.76 +42.59 +82.59 +82.59 +10.70 -9.56 -7.50	1.85 2.77 2.91 1.97 2.01 1.29 4.91 2.12 2.85 2.93 2.93 2.93 2.93 2.93 2.93 2.93 2.93	50.08 10.25 296.78 11.86 13.97 16.86 22.71 11.57 12.27 10.68 14.17 10.68 14.17 18.02 16.00 18.02	1202.00 E27.19 1392.25 997.25 996.25 998.48 1002.41 1272.15 1142.02 799.31 1065.29 781.07 995.81 1065.29 781.87 1065.29 1781.45 1282.78 1088.81 1088.8	30 year and set sales super 1 most set of the set of th	m of clase of 1  ES. 1 and 7m of clase of 1  ES. 2 and 7m of class of 1  ENT BCH  2 ym  -0.00  -0.17  -0.18 -0.15 -0.06  +0.86 -0.13 -0.13 -0.13 -0.13 -0.15	Anthon bushom grand or a sure of 20 year of	1 15 2 1 15 2 10 10 10 10 10 10 10 10 10 10 10 10 10	S VS	EU 1000 1000 1000 1000 1000 1000 1000 10	20 yes  -0.57 -0.57 -0.15 -0.67 -0.16 -0.08 -0.23 -0.51 -0.08 -0.16 -0.08 -0.18 -0.08 -0.18 -0.08 -0.18 -0.08 -0.1	#060 transport   100 transport

tor 15	2 700	5 yrs -	. 7 500	10 yes	<b>20</b> ya	36 p
The"						
lantifer .	-4,00	+0.83	+0.26	-0.61	+0.03	+0.8
leighen	-0.13	+8.01	+0.18	+0.09	+0.08	-0.0
inland	-0.17	+0.67	+0.27	40.75	-0.51	-0.8
iance	-0.18	-0.11	-0.07	-0.08	-0.07	-0.2
W HOME OF	-8.15	-0.09	+0.07	-0.20	-0.11	-0.2
inimal .	-0.06	-0.00	46.74	+0.11	+0.15	+0.4
	+0.86	+0.09	+0.22	+0.19	+0.16	+0.0
<b>Manipul</b>	-0.18	+0.05	+0.18	+0.08	+9.03	-0.0
futherlands	-0.10	+0.01	+0.14	-0.00	+0.05	-0.2
<b>Wheel</b>	-0.13	+0.04	-0.26	+9.17	+0.23	+6.0
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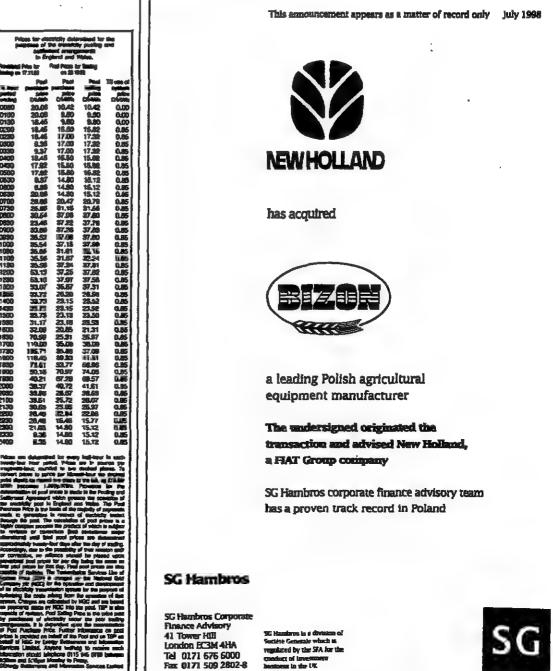
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Financial Times Surveys World's Most Respected Companies Monday November 30

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FINANCIAL TIMES

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**GOVERNMENT BONDS** By Vincent Boland and Arkady Ostrovsky in London and John Labate in New York

34

Investors adopted a wait-and-see attitude yesterday ahead of the decisive US Federal Reserve meeting today, which could see US interest rates fall further in response to continued jitters about the health of emerging markets.

weaker, although a positive reaction to the latest economic stimulus package

threats to its currency.

The consensus of analysts' expectations was for an yielding 4.574 per cent. interest rate cut of 25 basis points by the FOMC, but ened in recent weeks.

"The economic picture economy, but what makes it more mixed is the financial sector, especially in the US," Prices ended slightly said Maureen Maitland, US sales report. economist at Donaldson, Lufkin & Jenrette.

US Treasuries had eased bonds staged a small rally, down % to 99%, sending the Analysts said current prices basis point to 4.17 per cent. zil's huge domestic debt.

note was down 1 to 9811,

Evidence that the economy was in need of a stimuthat conviction has weak- lus came with the latest industrial production figures, which fell 0.1 per cent does show a slowdown in the in October, more than analysts had expected, and helped to offset last week's surprisingly strong retail

support for prices. Brady benchmark 30-year bond was to attract investor attention. on the 10-year bund rose one

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New international bond issues

taking comfort from the yield up to 5.258 per cent. Saibn aid package for Brazil The 10-year note was  $\frac{1}{4}$  rate cut, which would condesigned to offset further lower at 99 $\frac{1}{2}$ , yielding 4.843 firm the downward trend per cent, and the two-year and open the way for further European cuts.

However, Phyllis Reed at short-term mood in European markets was bearish as investors sought to ascertain whether yields would begin to fall again and as the market looked to recover its bonds helped emerging marpoise after falling sharply from its crisis-point peak.

The December bund future European markets, fol- settled at 112.38, down 0.09 lowed German bunds lower, on the close last week, in but activity was thin, with very light DTB trading. In

Japanese government bonds succumbed to profittaking after a generally positive reception for the government's latest economic stimulus proposals. Fears that

Barclays Capital said the public-sector buying of JGBs might slow also helped to push prices lower and the yield on 10-year bonds stood at 0.85 per cent in Tokyo. A rally in Brazilian Brady

ket issues to rebound. The Brazil C bond was trading at 631/4 early in New York, up 1%, and other issues moved higher. Tim Ash at WestMerchapt said the package was a from Japan provided some slightly by midday. The little on the domestic front the cash market, the yield positive signal but investors were still focusing on Bra-

Nomura International

# European high-yield sector 'to

By Khozem Merchant

The European high-yield "junk bond" market will recover strongly from the damage inflicted by Russia's debt default, according to Moody's, the US rating agency. It says the virtual closure of the market in European currency highyield bonds since August "is not so much a crisis as a correction and a turning point".

In the near term, Moody's forecasts more defaults among European high-yield issuers, especially those in commodity-related sectors or with heavy exposure to Asia or eastern Europe.

However, several factors will fuel long-term growth, Moody's says. Foremost is the emergence of a unified capital market when the European single currency is introduced in January. This will encourage transparency between credits, forcing companies to boost performance by, for example, shedding "lower return entities".

Fund managers will also come under pressure to go down the credit curve to sub-investment grade credits in search for higher returns.

The European junk bond market took off 18 months ago, following its US counternart. The value of highyield issues in the eight months to August was equal to \$13.7bn. In the previous year, issuance totalled

\$6.4bn, says Moody's. The US market, although also hit by the Russian crisis, is showing signs of revival triggered by two US interest rate cuts. Dollar issuance has totalled more than \$2bn in each of the past three weeks. Since mid-October, there have been 34

**NEWS DIGEST** 

GOVERNMENT FINANCING

# France plans reduction in debt issuance next year

France will issue about FFr290bn of bonds with maturities of seven to 30 years (OATs) and FFr240bn of two and five-year notes (BTANs) next year, down from an estimated year, according FFr320bn and FFr270bn respectively this year, according to the transfer of the france. to the government's preliminary 1999 budget. The lower financing needs are a result of a consumer-led pick-up in economic growth and the fall in interest rates, which has reduced the cost of servicing existing debt. "After the peak observed in 1997 [FFr645bn], the state's

medium and long-term financing needs will be approxi-mately FFr608bn in 1998 and close to FFr528bn in 1999, said Thierry Carcenac, rapporteur of the parliament's finance committee. He said "the strong decline of the state's financing needs does not hide the ongoing rise of outstanding debt" but if the government managed to meet its target of reducing the budget deficit to 2 per cent, total debt as a proportion of gross domestic product would start to fall from 2000.

The draft budget was criticised by the budget and finance committee of the senate, the upper legislative chamber which is dominated by the right-wing opposition, Philippe Marini, the senate committee's rapporteur, said the government should "go further in reducing its deficits and stabilising the public debt". It was inappropriate, he added, for the government to fund operating expenditures through debt issuance. Some FFr70bn of next year's bond issues will finance operating expenditures, according to Mr Marini. Samer Iskandar, Paris

#### SECURITISATION

INTERNATIONAL BONDS

# Royalty bond for song-writer

Royalties from dozens of hit songs composed by Duane Hitchings, the US song-writer, Including "Do Ya Think I'm Sexy" by Rod Stewart, "Hit 'Em Up" by Tupac Shakur sind "Gettin' Money" by Notorious B.I.G. are to be securitised in a forthcoming bond issue.

The new royalty bond, which will include the rights to works by other composers and performers, could raise up to \$100m, according to David Pullman, the Wall Street financier whose Pullman Group has completed similar transactions for David Bowie and the Holland Dozier Holland song-writing team.

Royalty bonds work by advancing money to the copyright holder in return for the future royalties payable whenever their music is performed or broadcast over a fixed period of time, usually 15 years. They have become increasingly popular over the past year as investors have searched for more lucrative alternatives to low-yielding Treasury bonds.

The musicians and composers included in the issues. tend to have records established over a number of years, thereby giving a fairly accurate indication of their future earnings potential. Alice Rawsthorn

# Finland taps euro sector

#### INTERNATIONAL BONDS By Edward Luce, Capital Markets Editor

Finland yesterday issued probably its last syndicated

bond in euros before it is adopted as the domestic currency and is tapped though the normal government bond auction process. The E500m offering, which will be fungible with Fin-

land's recent five-year DM1bn offering to reach an outstanding issue of about Elbn, was largely targeted at Asian investors. An official at HSBC Mar-

kets, joint lead with Merrill Lynch, said more than half the combined book had gone to Asian investors, especially large central banks. Countries such as China

and South Korea bave recently made positive noises about adopting the euro quite early on as a lead-WORLD BOND PRICES

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10 YEAR BENCHMA

BENCHMARK GOVERNMENT BONDS

denominate 15 to 25 per cent of its reserves in euros. Bankers said the success of the deal, which was priced

to yield 12 basis points over the five-year bund (and not, significantly, the French OAT benchmark), complethe recent D-Mark issue, which was strongly European. "There is still a big premium attached to llouidity which is why it was important these two deals were fungible," said one.

It was priced to yield two basis points more than the secondary market spread on the D-Mark bond, in reflection of the difference in swap rencies. Both bonds correspond to a sub-Libor funding rate of minus 14 basis points.

Premier Pub Finance, a funding vehicle set up on behalf of Marston's, the UK brewer, heralded the return of the asset-backed market ing reserve currency. China in Europe with a £155m not have a significant, or 100 is thought to be planning to three-tranche offering per cent, stake.

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II FRENCH FIVING Titriog, A1(c1)‡ Titriog, Alpha 1(c1)\*‡ Titriog, A2(c2)‡ Titrion, Alpha 2(c2)+4 W SWEET PRANCE # BUROSIN Republic of Finland(f) E CANADIAN DOLLARS GE Capital Canada Funding 100 WILGIAN FRANCE Final terms, non-callable unless stated. Yield spread (over network government bond) at liturich supplied by lead manager, intuities. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer twel. a) 3-mth Libor flat. b) Secured on cashiflows generated by Marston's terranted estates. Quertarity coupons. b1) 3-mth Libor 480bb. c) Secured on housing foars originated by Crédit Lyonnais, c1) Av lite: 1.1 yrs. 3-mth Pibor +77bb. c2) Av lite: 4.38 yrs. 3-mth Pibor +38bb. c3) Also issued; jurior tranches 8 of FFr482.5m and Beta FFr482.5m, d) Fungible with SFr200m. Plus 62 days accrued. a) Payments in Ecu prior to Emu. Spread relates to German govt bonds. i) Plus 13 days accrued. Fungible with DM1bn upon Emu. g) Secured on Belgian mortgages originated by Bacob Bank, g1) Av lite: 0.98 yrs. 3-mth Bibor +11bp. g2) Av lite: 4.4 yrs. 3-mth Bibor +21bp g3) Av lite: 10.69 yrs. 3-mth Bibor +30bp. g4) Av lite: 0.98 yrs. 3-mth Bibor +11bp. g3 Nort 1st coupon.

secured against rental income and beer sales from 569 pubs. Almost all the bonds went to UK investors. This marked the first time Nomura had lead-managed a securitisation in which it did

The Japanese securities Grand Met and Courage las house, which has securitised Ministry of Defence housing and arranged other private finance initiative deals in the last two years, also owns 4,600 British pubs. The acquisition cost of

year is expected to be refinanced in the bond markets when conditions permit. Credit Lyonnais, the

French bank issued a FFr10bn deal yesterday secured on the back of a domestic mortgage portfolio. I issues totalling nearly \$50n. buying these pubs from

BOND	FUTUR	ES AN	ID OP	TIONS				В
France								
m HOTTON	KAL PRINCY S	אונים פוספ	es (Matur)	FFr500,000	)			_
	Open	Seti price	Change	High	Liter	Bat. vol.	Open int.	De
Oes.	(D) D00	109.02	-0.06	100	106.83	40,988	91,545	U
E LONG	TERM FRENCH	I BONG OPT	ONE MATE	7				
irke	_	DM		-		PUTS -		
Price	Otto	-		-	Desc	-	-	
107	2.00	-		-	0.03		-	Pe
106	1,17			-	0.16	-		NY
109	0.43			-	0.36		-	CI

		THEN FILLY	ES (UTO) D	M250,000 1	00000 07 10	0%	
	Орил	Sell prior	Change	High	Low	Est. voi	Open is
Des	112.86	112.36	-6.09	112.67	112.23	224,087	648,67
	112.74	112.89	+0.02	112.91	112.74	1,980	30,38
E BURD FUT				points of 1	20%		
Strika Edita	Dec	CALL		eb	Dec	PUTS	Feb
				70	Ues	Jen	199
11200	0.53	1.28	3 1.	48	0.19	0.41	8.63
11280	0.25	0.86	i 1.	19	0.41	0.80	0.84
11300	0.10	0.86	ı û		0.76	0.84	1.08

Dec	107.64	107.67	+0.06	107,74	107,48	52,200	207,
Mar	107.51	107.53	+0 08	107.53	107.51	2,786	14,
<b>III</b> 190710	WAL LIB SIN	P PITURES (	(LIPPE)" Syr	4.0% DM25	0,000 ponts	of 100%	
	Open	Sett price	Change	High	Low	Est. vol	Open
Dec	99 85	99.81	-0.15	錦馬	98.65	10	12
Mar	-	99.55	-0 15			Õ	0
	<b>MALLER STATE</b>	P FUTTERS	LUTET 10Y	4.5% DM2	50,000 pan	of 100%	
	Орея	Sett price	Chasge	High	Low	fat, val	Ореп
Dec		99.07	-0.21			0	15
Mor		98.72	-0.21			0	
	On 187 All Op	en latanesi Syr	. as for par	microsi dinys			
Hely.							
	MAL TALLAN	GOYT. BOND	(बार) स्था	HOR (UFFE)	' Ura 200m	100ths of 1	00%
	Open	Sett price	Change	Hìgh	Line	Est. vd	Open
Dec	110.72	110.56	-0.09	110.85	116.30	15091	527
Mar	110.47	110.48	-0 09	110.47	110.47	600	22
	110/41	110.40	-17 LGS	119,47	HUAF	900	

								Open	Sett priza	Character 1	LBak	LORY	
450	0 998141	4 60		-0.04	+0.78	-1 11	_	-	-	Changu	High		
5.3			÷0.02	+0.01	+0.39	-1.25	Dec	110.72	110.56	-0.09	110.85	116.30	15591
563			+0 03	-0.02	+0.46	-0.95	Mar	110.47	110.48	-0 09	110.47	110.47	600
5 50			-0.01	-0.04	+0.24	-0 83							
4 00	0 100 6400	3 58	+0.02	+0.05	+0.14	-1 16	E STALM	GOVT. BOM	व (साम) स्था	ORES OFTIC	46 (LFT) I	Jin200m 10	XXXII of 100
5 (1)			-0.02	-043	+0 05	-1 45	Strike		CAL	18			PUTS -
tar			Same	Interesti	n Data/FT	Information	Price		Dec	Jan		Dec	
	orks bysis. Ye	eds. phones in					11050		IAG	0.72		0.40	
							11100	0	125	0.50		0.89	
							77150	0	111	0.34		7.00	
HM	ark s	PREAD	ıs				fish wall take		O Review di		Carlo 714 P		
<b>SPORT</b>	Spread				200	Spread							
95	15			Bird	15	15	Spain						
Bunds	T-Bords			Yleld	Burds	T-50108							
+1.01	+931	How Zeak	and	5.64	+1.49	+0.79	E 1071702	AL THURS	BOMO FRITTI	NE MET			
+0.19	-051	Montesty		5.55	+1.40	+0.70		-			18. K		Man of
+0.23	-0.41	Portugal		4.32	+0.37	-0.33		Open	Sett price	Change	Fügb	(Jan	Est vol.

DECOUAL P		0. 100				7 74				
Pinland		51 +03			340	2.65	-1.50	-2.20		
France		37 +6.13				4.96	+0.81	+0.11		
Germany	4		07			4.85	+0 70	_	ŲK	
ireland		46 40.3				4.35	+0.20	-0.50	E 207100	MIL 5 YEAR GE
Haly		54 +0.3			nteractive E				- ,	
Japan	Q	<b>29 -</b> 324	5 -39		dr.mr D		-0			Open
<b>Netherlands</b>	4.	.27 +0.13	2 -0.5	g American	तः भवतं क्रिक	<b>7</b> 5.			Dec	
EMERG	TRECT S	MARKE	T 00	INDS					Mar	
		MARKE	i pu	Mine						
						Day's	Mith's	Sprd		
	Red		SEP	Blad	SHd	chge	chge	. 42		Open
Mor 16	date	Couon	Ratino	price	yleid	yld	ytd	US	A	
			-	•					Dec	115.TÜ
									M2	115 16
Croatia	02:02	7,000	888-	90.6454	10,44	-0.10	+0.04	+5.88	E LONG	द्या सामह्य (
NOTE:	27/04	7.125	888-	103.2807	6.40	+0.07	+0.40	+1 79	Strike	
Faresia	06/07	10,000	17/3	22,2508	48.82	-0.46	4.5	+44.03	Man	-
										Dec
E LATH A									11500	9.65
Argentina	09/27	9,750	BB	85,0240	11.41	+0.03	+0.69	+6.17	11950	0.42
Brazi	05/27	10.125	BB	71,7500	14.22	-0.10	-0.41	+8.98	11600	0.26
Mandeo	05/26	11.500	88	105,5000	10.87	+0.03	-0.18	+5.65	First and anti-	al Cass STI Pres
MENGO.	سدوي	1							บรั	
MI ASSA										
China	07/06	7,750	BBB+	103.6877	7.10	+0.08	-1.20	+2,37	D DE TH	Passier India S
	10/16	8.750	-	93,6000	9.57	-0.19	-1.87	44.56		Opes
Philippines		7.730	-	91.4080	9.24	-0.30	-1.61	445		-
Theiland	04/07	7.780	-	91,4000	3.29	-0.30	-1.01	~~	Dec	12719
E HIRA	SOME OF	HET.		-					der.	177-0
					0.00	844	.049	+230	Jan .	-
Febauos	97.00	9.125	88-	103,3750	6.90	-0.18	+0.13			
South Africa	10.06	6.375	88+	88.8664	10.51	-0.03	-1.68	×5.78		
·	60.67	40 000		GO ORAN	11.87	_A 57	_148	×7.58		

853 13.12 883 11.31

71.9000 63.1250 75.5000 63.5000

88. 88-82 8+

-0.13 -0.05 -0.02 +0.15

+0.37 +0.37 -0.02 +1.28

Set wat their	L Carles O Phone.		V3 0000 M	Carb 718	Page 5400		1:00
Spain				. —			
-		BOMO FRITTI			_		
	Open	Sett price	Change	Fügis	[,mu	Est vol.	Open int
Dec	114.36	174.23	-0.22	T14,40	114.22	19,519	49,681
ia:	-	113.63	-0.22	-	-	-	-
Ж							
	AL S YEAR G	LT FINES	(LOTTE) ST	00,000 100	the of clote		
	Open	Sett price	Charge	High	Low	Est. vol	Open Int
Dec		107.63	+0.09	•		0	1571
ter		107.78	+0.09	•		0	D
HUIDN	AL IN GELT F	U101025 (LIF	HE). E.100'C	00 100AYS	of 100%		
	Open	Sett price	Change	High	[mw	(#E. 170)	ign in
ec	115.10	115.15	+0.01	115.33	114.84	23366	117352
5 	t1516	115.25	+0.01	115.30	115.16	1648	0
TOME 6	ध सामह	OPTIONS (L	FFE) £100,0	100 100ths	of 100%		
ike .		CAI				PUTS	
	Dec		-	ieb	Dec	April 1	Feb
500	9.55	1.2		<b>50</b>	0.50	1.00	1.55
350 800	0.42 0.26	1.06 0.87		55 E	0.77 1.11	1.53 1.62	1.80 2.08
	ν <i>ε</i> ρ 1006:531 Reg	• •					200
,	. (202 231 702	125 Person	s casy's upon	112, Care 1	COPO PRES ZO	100	
_	~~~		का दाका	0) J290S 0	* 1000		
DE INC	CONT. THE	HOTOMES IC	did a reside				
DE THE	Open Open	Latest	Change	High	Low	Est. vol.	•
EC	Opes 127-19	Latest 127-22	Change -0-02	High 127-28	Low 127-10	322,060	646,875
	Орев	Latest 127-22 127-12	Change	High	Low	322,060 26,052	646,875 154,409
EC P	Opes 127-19	Latest 127-22	Change -0-02	High 127-28	Low 127-10	322,060	Open let 646,875 154,409 3,459
E F	Opes 127-19	Latest 127-22 127-12	Change -0-02	High 127-28	Low 127-10	322,060 26,052	646,875 154,409
sban v ec	Opes 127-19	Latest 127-22 127-12 126-30	Change -0-02 -0-03	High 127-28 127-13	Low 127-10 127-02	322,060 26,052 26	546,875 154,409 3,456
ec tar un Japan	Opes 127—19 127—08	Latest 127-22 127-12 126-30	Change -0-02 -0-03	High 127-28 127-13	Low 127-10 127-02	322,060 26,052 26	646,875 154,409 3,458 of 100%
ec un	Opes 127-19 127-08 127-08	Latest 127-22 127-12 126-30	Change -0-02 -0-03	High 127-28 127-13	Low 127-10 127-02 ES (LFFE) YI	322,060 26,052 26 26	546,875 154,409 3,456

	BOND FUTURE	3 PA	TR) ECU	00,000						D 40	Red		8 & P	(Aid acts	g <sub>int</sub> Vid	chge chge	Mith's chigs vid	Spring :
	Open	B	يعام و	Chings	High	LOW .	Şet.	VOL C	pan ist.	Net 18	endani Lipi	Coopen	Auting		THE .	Ann	- American	20
Dec	103.80	1	08.50	-	-	-		-	306	· march land "	1 -							
US	CORPOR	AT	E RO	NDS							02/07	5.760	AAA 300	109.3564 108.8000	4.43	+0.01	+0.08	
	VVII4 VII		_ 00				Printe	100nlo	-	<b>Opein</b> Philip Morris	01/07 03/04	5.790 5.375	- 7	108,8000	4.57	+0.02	+0.07	
		Red		5 & P	86	Bid	Diny's chos	Militie Chos		Financi (FR)	09/02	3.531	Ä	100.5457	3.18	+0.02	+0.14	
NW 13		della	Course	Relieu	DICE.	wield	76	100		AL EURO FIRE								F - 1
	LIVE S		1-			,	- 5	· 4.57		Austria	07/04	6,500	AAA	108,8200	4.01	×0.01	+0 11	. glass 40.14
		75.000				5.00	STATE OF			Abber Nat	02/04	5.000	~~~	108,7800	4.10	+0.01	+0.13	48.23
Pac Bud NY Tel		77E2 W/25	7.25 7.00	##- #+	108.1226 101.3934	6.36 6.88	+0.02	-0.04	+0.85 +1.63	Creci Fonder	02/04	9.125	T A	121.9700	4.35	+0.02	+0.00	40.48
CWE			8.00	RSA	113.5256	6.10	+0.01	-001	+1.29	SCIF FIN	12/01	3,617	<b>M</b> -	99.8947	15	+0.02	+0 12	-0.10
	<b>_</b> . `					: : :				MI CHING COOL								. F.
	W.S		· =;·	29 0	- 1. i		2000			AND .	02/07	7,000	.000	117,2500	4.45	+0.09	+0.05	-0.00
SECC		507	8.75	AAA	120,2534	8.71	+0,04	+0.23	+0.90	Abber Hat	02/02	6.800	AA	102,9000	4.02	+0.05	+0.07	+8.12
Benc On CNA Pin		19/02 17/18	7.25 6.66	A	105,6560 P4,1551	, AJQ 7.52	+0.05	-0.25 +0.31	+1.02 +2.27	Walt Disney	08/00	8,525	A	108,8000	4.09	-0.01	+0.05	+0.31
T		1416	6.00	~		7,36		TU.01	-	田 州	03/01	4,743	AAA	100.0503	3,53	+0.04	+0.82	-0.26
	TORALS .	:		* 7			150	. str		ECC C					•			·
WMX Tex		1	6.25	BBS+	100,1224	5.86	-0.08	+0.49	+1.55	<b>=</b>	12/07	7.625	AAA	114,9039	5.49	-0.01	-0.34	+0.59
Wei Mari		602	6.78		105,0591	5.14	+0.02	+0,10	H9.53	Dreadner Bk	12/07	7,780	AA-	105,3243	6 79	-0.01	-0.07	+1,89
Deyton H	en ,	6/21	9.70	B88+	181.4299	6.02	- ,	+0.08	+1.67	British Gas	03/00	7.625	A+	101.5627	0.00	+0.03	-0.04	+0,67
TH AND				100	11.1	100	5 %			Alshey Mak Frek	02/02	7.900	- AA	100.3527	5.06	-	-0.12	-0.02
PHLMC		407	7.14	W/A	111,3375	5.44	+0.94	+0.25	+0.53	M SHO S								
SLMA		3/00	7.60	N/A	103.0024	5.09	*0.02	+0.30	+0.57	E8	04/07	7.250	AAA	112 0000	5,43	-0.04	+0.30	+8.84
FIMA		2/15	8.95	NA	136.3883	5.78		+0.09	+0.53	ABN ATED	08/07	7,125	AA-	104,0255	8.49	*6 O3	+0.49	+1.70
FFCB		6/06	8.05	NA	121.7856	5.70	+0.04	+0.19	+0.58	Charles Unious (TM	01/07 02/04	7.000 6.790	A-	107,4986	5,04	+0.02	+0.48	+1.05
	THE			🔆		200	₹.		20		WO'N	0./50	, A+	96.3703	8.57	+0.02	+0 43	+1.96
Stone Co	nt C	201	9.88	3	100,5000	0.00	_	_	-	M SIRO CA								
AK SO		2/01	9,13	88-	105.7500	0.00	_	-	-	Bayer L-Bk	08/04 05/04	P.500	AAA	118,0040	5.53	+0.03	+0.25	+0.17
Pecalte		604	10.75	<u>B</u> -	96.0000	0.00		_		Torusto Ball Canada	US/04 U7/98	8,500 10,625	AA+ A+	114,0512	5.47 5.29	+0.03	+0.24	+0.11
III (See )	Contract of the	13 (10)	gs. Bake	a i a	1	Service.	والمواليا	Date/FT is	formation.	Description O. (1964)	09/02	5.E/3	λλ.	101.1010	8.35	+0.03	=0.38 =0.34	103
			-							DI SERO YES			2012		0.00		-0.0-	TOO
USI	NTERES	T F	MATE	S						World Bank	03/02	5.250		***		- 44		
		_								Stein	03/02	8.750	AAA	117.5877	0.37	+0.01	-0.15 -0.09	-0.13 -0.06
steel				1	freezy Bib	and B	ond Yiel	dy		Cred Foncier	08/02	4.750	7	113.9872	0.91	+0.01	-0.09	+0.41
			Doë i	1911)			70W		4.67		W/90	0.481	AA	100.070	0.17	-	+0.16	+0.01
Priese rain Senior ins	n mir	, al	Two		4	- Thre	700		- 4.58 - 4.55									-,-
Fed.hands	A THE RESIDENCE AND DESCRIPTION	84. 64.	80x m	m\$	4.0	10-y			4.85 5.26	Lendon cioning. Signatura & Popris puis	on. Voice I		-	/	Source	-	Date/FT i	
Peri.lumin	of Assessed in		Cno y	·	49	30-y			5.26		<b>—</b>		-					
UV	BONDS																	
GIA.	COMOS																	
-	A advect of																	
FTSE	Actuari	es i	GOVL.	Secu	mies											ľ	JK tri	dices
Price Indi	ices		Mos	Day			إجلاجها	i ad e	4	- Low coo	mon yield			own visi	4	- Hiels e		
			Nov 16	chang		13	nkarasi	按			78 Yr. (			v 13 Yr. ;				(ma ⊶ ft. ago
1 Up to	5 years (17)		121.27	0.	02 197.	25	2 50	0.	77 5 yrs	B.08 6.	08 6.7	_		14 6.9	-		-	
2 5-15	yaera (20)		172.53		06 172	14	3.27	6.	B2 15 yr		.72 6.6			L74 6.9 UID 6.6			5.10 4.84	8.60 8.60
	15 years (4)		228.04		18 227.		5.09		20 yr	4.64 4.	.65 5.6			.84 6.6			1.84 4.84	6.66 6.66
	emaisies (4) ocios (46)		308.90		39 307.6 DB 184.3		6.80 3.25	9. 8.		4.92 4.	94 6.8							ario.
5 FF 44			- Springer		1974		9-69	6.	ye	- kriini	des Cu							

FTSE Actuar	ies G	iovt.	Secur	ities													UK II
Price Indicate UK Althu		Mos Nov 18	Day's shange		Pri Nov 13	Angrue; Interest				- Low Nov 16	eoupon ; No Tā	rield — Yr. ego	- Made Nov 16	NOV 13	yleid • Yr. 200		
1 Up to 5 years (17) 2 5-15 years (20) 3 Over 15 years (4) 4 irredecreation (4)		121.27 172.53 228.04	0.0 0.0 0.1		172.64 172.62	2.22 3.27 6.09	6.6 8.2	2 15 y	15 16	5.08 4.72 4.64	5.95 4.72 4.65	6.70 6.62 6.62	5.18 4.88 4.83	5.14 4.89 4.84	6.90 5.61 6.68	5.08 4.92 4.92	5.10 4.94 4.94
a AB stucks (46)		308.90 184.34	0.0 0.0		907 <i>.6</i> 8 1 <b>94.9</b> 0	8.80 1.25			Ť		4.94 effection 6				<b>Lin</b> 10	*-	
8 Divin E years (2) 7 One S years (3)		25.15 247.59	0.01		25,13 67.98	0.85	5.92 5.98	Up to	5 yea		2.31		}	1,65	Nov 13	77. <b>ngo</b> 11.69	
8 Mi Stadin (11) Annigo gross recomplion	_	143.29 Lutoma 4	8.01	3	43.26	1.19	5.98 5.93 <b>km: 8%</b> -1 <b>6</b> 5		5 379 175 and	2.25 aux. † Ret				2.08	2.03	1.99	
FT Fixed interes											, <b>,-</b> -		•				
	Nov 18		Nov 12	lipr 11	Hoy 10	W ago	High	iow'			No	7 15 No.	13 No	v 12 - Nov 1	1 Alge 1	O Yranno	High
Bowt Secs. (UK)	112.02	111.91	111.59	111.14	111.43	99.13	112.58	93.31	Firm	Interset	151	179 151	44 45				

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	/98), 10W 50.33 (89/01/75)
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# Dollar sinks awaiting Fed's decision

### MARKETS REPORT

France plans reduction

debt issuance next ye

The dollar fell towards the bottom of its recent range against the yen yesterday as the market awaited today's US Federal Reserve decision

on interest rates. An eleventh-hour climbdown by Iraq over United Nations weapons inspections and softer-than-expected US industrial production data added to the downward pressure on the dollar.

By the close of London trading on Monday, the dollar had fallen to Y119.8 against the yen, compared with Y122.2 on Friday. It was also lower against sterling, closing at \$1.676, and the D-Mark, closing at DM1.667. Some minor support for the yen also came from yesterday's release of the official details of the Japanese government's fiscal package,

which was slightly larger

than expected.

Bank of India

BASE LENDING RATES

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vinced few analysts that it unwinding of those long dolwas part of a sustained lar positions yesterday and movement in the currency pair, the focus of attention in recent weeks.

Drew Gross, head of foreign exchange at Chase Manhattan in London, said some position-squaring had caused the dollar's correction against the yen on the day. but that the market was waiting for the Fed's decision on Tuesday to give it

The dollar was trading at the lower end of the range it has kept in for the past couple of weeks," said Mr Gross. The prospect of US-led air strikes against Iraq had helped support the dollar. But a decision to call off the

POUND IN NEW YORK 1.6775 1.6752 1.6711 1.6561

■ The dollar's fall yester- attacks at the last moment day against the yen con- on Saturday led to the

25 basis point cut in the US federal funds rate today. A reduction could help allevimarkets of a possible credit But some strategists think

tain longer-term liquidity in the US financial system. "If the Fed likes the two-

year through to thirty-year yields where they are they will have to cut the funds rate to at least 4.5% in coming months," said Alan Rus-4Cast in a research note released on Friday. Ray Attrill of 4Cast in Lon-

don added that failure by the decision will also be watched closely in Brazil, whose prethe near future could lead to

ing the dollar.

Oct

ing up, possibly strengthen-

"There could be a very vig

orous debate at the Fed

tomorrow," said Mr Attrill.

tion with a diktat by [Alan]

rency stability received a jolt over the weekend after reported comments by outspoken exchange rate econonist Rudiger Dornbusch.

Comparing Brazil to Russia, Professor Dornbusch was reported as saying that the countries had "the same debt problem, the same deficit and the same lack of political will to solve them all on top of an overvalued exchange rate."

The Russia analogy raised some eyebrows among strategists in the currency markets. The International Monetary Fund's rescue package for Brazil is designed to avoid a Russia-style sharp

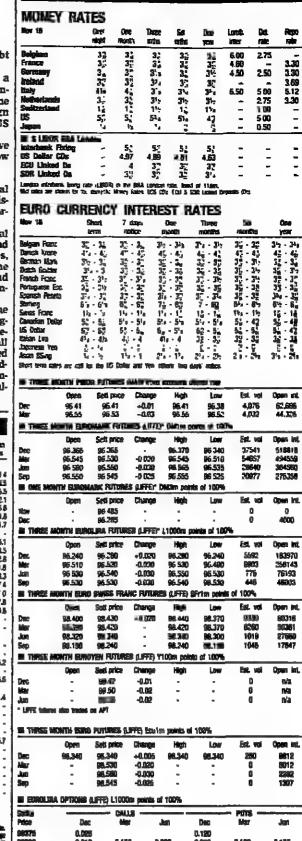
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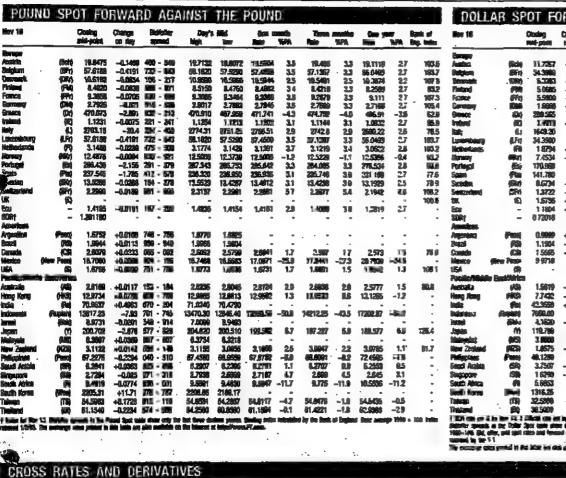
"There has been quite a bit of interest in Dornbusch's comments," said one emerging market foreign exchange analyst at a US bank in London yesterday. "If the Fed doesn't move tomorrow they might grow in significance."

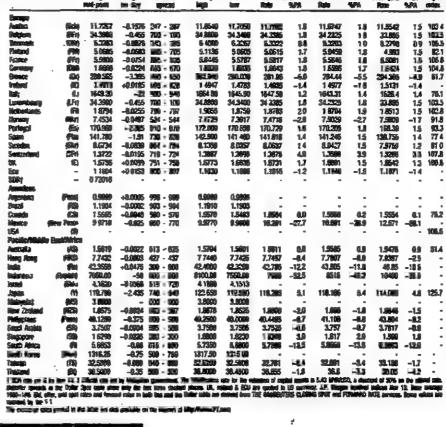
The release of the final version of Japan's latest fis-

The plan promised a total of Y24,000bn in tax cuts and public spending increases, figures of Y17,000bn and then Y22,000bn being bandied about last week

Cynics said that while the latest scheme offered a bigger fiscal stimulus than prefar short of what is needed to galvanise private spending and restore some semity to Japan.

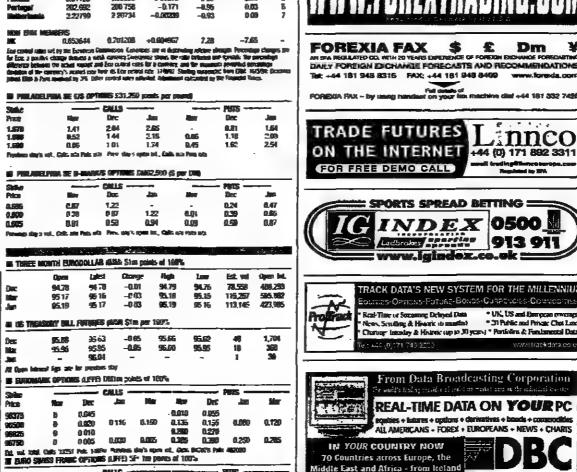






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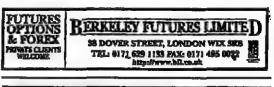
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# Oil loses war premium as Iraq crisis ends

MARKETS REPORT By Robert Corzine, Kenneth Gooding and Paul Solman

The apparent end of the latest crisis over Iraq sent oil prices lower yesterday as the small "war premium" generated during last week's confrontation between Baghdad and the United Nations dissi-

Petroleum Exchange, down tion cuts at 93 per cent Friday's close. 16 cents from Friday's close. during October.

The market focus is now expected to shift from Iraq to Organisation of Petroleum **Exporting Countries.** 

However, traders yesterdence that Opec production ers, who said fund selling

Copper's price came close yesterday to touching the tonne it fell to last month. It today. dropped to \$1,573 at one point on the London Metal day shrugged off new evi- Exchange, according to deal-

Attention has now turned to whether the US Federal fell £3 yesterday to close at Reserve will cut interest £972 a tonne on the London next week's meeting of the 111-year low of \$1,570 a rates again at its meeting International Financial

> Larry Kaplan, analyst at Flemings Global Mining Group, pointed out, however. Organisation lowered its ing pushed January coffee "Historically, metal prices estimate of world cocca up \$35 on Liffe to finish at have not done very well in grindings for 1997-98 by \$1,633 a tonne.

posals while Denmark, Swe-

den and the UK want to end

The Commission must

fight harder to get through

the 20 per cent price cuts,

partly because its direct

compensatory payments

would cover only half the

reduction. It argues that

market prices will fall by

less than guaranteed prices,

and so full compensation for

the cut in the intervention

price would again mean

Mr Morrison, can see the

argument for price cuts, but

they want full compensation,

and most EU countries -

including Belgium, Germany

However, at least some

governments, including Ger-

many's, are expected to

soften their opposition when

the hard bargaining begins.

ers enjoy premium pay-

ments, in part because the

EU wanted to reduce its

dependence on imports.

Helmut Kohl's government

and Spain - back them.

Many farmers, including

overcompensation.

set-aside altogether.

nomic slowing."

December cocoa futures Futures and Options Exchange.

The International Cocoa

delivery was quoted at \$12.16 Middle East Economic Sur-a barrel in late trading on vey report put Opec compli-London's International ance with promised produc-only \$2 a tonne lower than tended to auger further eco-tonnes for the period, some 1.5 per cent below the 1996-97

> Ivory Coast, the largest producer, is expected to grind 205,000 tonnes of cocoa, 45 per cent more than the previous year.

Meanwhile, industry buy-



Douglas Morrison: sees profits falling 15-25 per cent James Fraser

However, several countries question whether the levelling approach will free oilseed farmers to grow without WTO restraints, as the

Spain and Portugal fear

oilseeds proposals. The commission may 19. October 27 and November

by accepting a gradual cut in payments. But on the bigger but less controversial proposal to implement guaranteed price cuts with compensation, it should have more SUCCESS.

Mr Morrison and other farmers will just have to hope the commission is right when it predicts that their incomes will not fall. This is the last in a series on CAP reforms. Previous

articles appeared on October put from China is also fore-

ZINC CONSUMPTION STILL SEEN RISING

# production and exports'

Mining Correspondent

China, the world's biggest zinc producer, will consume more of the metal, produce less and its exports will fall steadily over the next five years, according to a study by the Metal Bulletin Research consultancy in conjunction with the China Non-ferrous Metals Industry Corporation.

Last year China's zinc smelters were caught in a vicious squeeze on the London Metal Exchange and reacted by boosting output of the metal, the third most important non-ferrous metal after iron and copper, by nearly 18 per cent and exports by 158 per cent.

of zinc, used mainly as a coating to protect iron and steel from rusting, to 1.41m tonnes, equivalent to nearly

one-fifth of the global total. The MBR study points out that Chinese zinc mine production has risen dramatically in the 1990s, increasing from 760,000 tonnes to about 1.32m tonnes in 1997. Most of this came from small, local mines that are very sensitive to the global price.

MBR is forecasting that mine production will grow relatively slowly over the next five years, at an annual average of 1.1 per cent, compared with 9 per cent in the previous six years.

Daniel Smith, senior metals consultant, says: "While there is enormous potential duction, there are few projects sufficiently advanced or attractive to investors to cap on the market." have a realistic chance of coming into production in

the next five years."

JOTTER PAD

east to slow sharply, from an annual 15.2 per cent over the past six years to 2 per cent for the next five years.

Meanwhile, MBR suggests, China lifted its production China's consumption of zinc . will continue to rise strongly, by 5.8 per cent a year. This compares with annual growth of 9.6 percent between 1990 and 1996.

The combination of falling output and rising consumption will lead to zinc exports steadily falling by an average 10 per cent.

• China's zinc exports fell 35.5 per cent to 268,000. tonnes in the first nine months of 1998 and analysis wonder if this means stocks are rising and if it would. take only a pick-up in prices for them to be exported.

Macquarie Equities, part of the Australian bank, suggests China's stocks are not excessively high and there is no threat of an imminent surge in exports. However, it adds: "Longer-term, however, it looks likely China could continue to act as a

A strategic analysis of the zinc industry of China. MBR. 167 Lower Marsh, London Growth in zinc metal out- SE1 7JR, UK. £3,500 or

# Cereal farmers gloomy on CAP reform Most countries have doubts about European Commission proposals that include a cut

in guaranteed prices paid when markets are depressed, writes Michael Smith

farmer Douglas Morrison has had a year to forget. Low world grain prices and torrential rain in Scotland have provided him with his worst year since he began farming 30 years ago - and he fears more gloom is on the way.

The problem is the European Commission's proposals to reform the cereals sector, "If the commission gets its way, my annual profitability in future will be 15 to 25 per cent down on last year's levels," he says.

Mr Morrison's fears are typical of cereal farmers throughout Europe, but they may struggle to win the backing of European Union farm ministers, who will decide the final shape of common agricultural policy reforms also embracing milk and beef.

Most countries oppose or have doubts about the commission's cereals proposals. which include a 20 per cent cut in guaranteed prices paid when markets are depressed. However. EU diplomats

completion of a deal on CAP reforms early next year, cereals farmers will be low on the ministers' list of pri-Part of the reason is that.

apart from this year, the sec-

tor has done well financially

COMMODITIES PRICES

LONDON METAL EXCHANGE III ALLEMBURA, 99.7 PURITY IS per total

BASE METALS

trading ahead of proposed

Scottish cereals since the first significant cultural Policy in 1992, which also included guaranteed price cuts.

Market prices have been higher than expected and the commission now believes that the direct payments provided to farmers to compensate for the guaranteed price cuts were too high.

The cereal farmers' relative prosperity is reflected in their share of the CAP budget. While they produced 11 per cent of farm output by value in 1997, they received 40 per cent of the CAP's funds, or one-fifth of the total EU budget.

The Commission has no plans to cut the money back; indeed, its reforms would add more than Eculbn (\$1.165bn) a year to the cereals budget. It does, however, aim to make cereals the most market-oriented of the three main sectors being reformed.

Without reform, the sector is heading for heavy overproduction. Improved efficiency will boost production believe that in the horse- far more than demand is growing and, with subsidysupported exports constrained by World Trade Organisation agreements, the commission estimates that there will be a cereals surplus of 50m tonnes in 2005, compared with 14m tonnes last year.

Precious Metals continued

M COLD COMEX (100 Tray oz.; Stray oz.)

Grain mountains would France and the Netherlands. reform of the Common Agri- grow further with EU are likely to support the proenlargement to other countries in the middle of the next decade.

One solution would be to increase the amount of land farmers must take out of production. But that would be politically hard to justify to a European public already puzzled by the so-called "set aside" arrangements.

Farm commissioner Franz Fischler's solution is to cut guaranteed prices for cereals by a fifth, with the aim of reducing market prices to around world levels. Freed of WTO constraints on subsidised exports, farmers would be able to sell more.

here would no longer any need to force farmers to take land out of production so, as the second major reform, the commission would normally set the compulsory set-aside rate at nil. A third reform would end the practice of making higher direct subsidies, paid as compensation for price cuts, to oilseed farmers.

Beneficiaries would

include consumers, who would pay less for food, and other farmers, who would have cheaper animal feed. Of the three main planks of cereal reform, set-aside is probably least contentious. At least eight countries.

including Belgium, Spain.

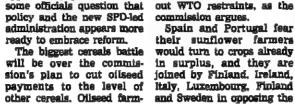
GRAINS AND DIL SEEDS

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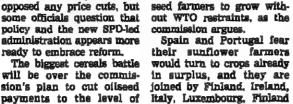
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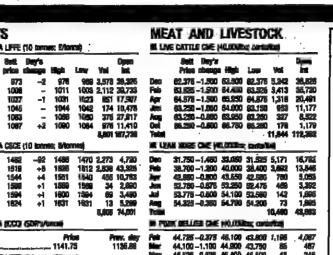


SOFTS

A WHILE LETTE IS ISSUED, STEETING



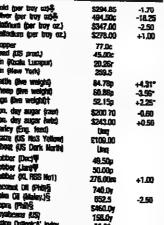
therefore have to give ground on oilseeds, perhaps

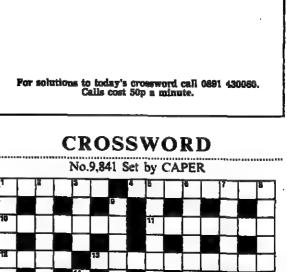


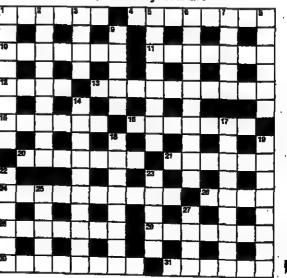
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(Grade A) LME 1500	17	130 74 37	Dec 6 45 129	Mar 36 77
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LONDON SPOT MARKETS

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Brent Blend Libra	\$12,17-2,22	
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Premium Gasoline	\$136-138	.2
Ges CH		
	\$105-106	-6.5
Heavy Fuel Oil	S57-59	
Naphina	D31-133	
Jet fuet	\$122-126	-7.5
Diesel	\$115-117	- 10
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E CTARE	_	
Gold (per troy uz)\$	\$294.85	170
Shor (per tray uz) &		-1.70
Out of the sale and	494.50c	-18 <b>.</b> 25
Platinum (per troy oz.)	\$347.00	-2.50







1 What's required is a small container - with case one can't cope (6)

4 In China you go in to it to get out of it (5,3) 10 Dog opening present (7) 11 Judge Bill (7) 12 Dwell over what's horrible (4) 13 Mum gets formal fine in

this Scottish town (10) 15 Fur sent back to the French company (6)

20 One like a hermit, primarfly silent with sour exterior 17 Leave upset sailor and soldier (6,3) 21 One cuts out corns with

24 I defined it, cryptically, as "sympathised" (10)
26 Not quite a national flag (4) 28 Rabbit caught by another Alice character (7)

29 Show features nude in naughty act (7) 30 Around lido, pose here (8) 31 A little car's something that crawls (6)

1 One single makes composer bit upset (8)

2 Without right they change 3 Flat race doesn't end in

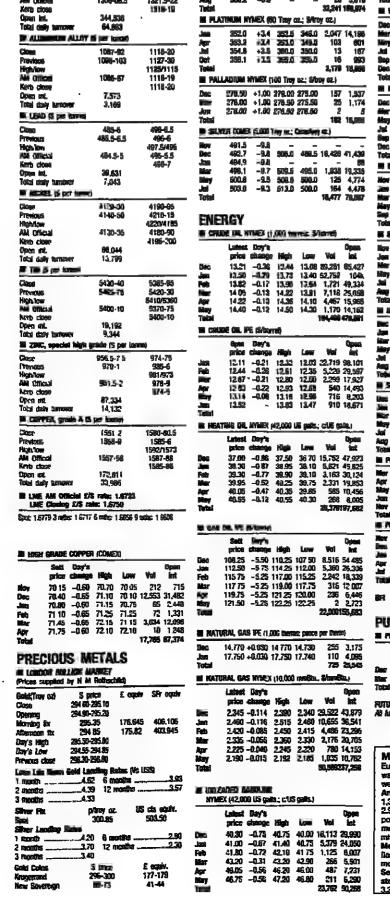
5 Stealing fish? One's in hot water! (8) 6 Like bare floorboards etc. Pure and new (10) Tennis scorecard (5) 8 See 19 9 Swipes back chair (5)

Large sum of money starts to entice state's corrupt rulers (10)

18 Go mad over slaughtered deer's stole (8) 19, 8 Go for it, weed! (5,3,6) 22 Snag caused by this old -Roman trophy (6)

23 The hangman's craft (5) 25 Some generator of love poetry (5) 27 Competent sounding murder victim (4)

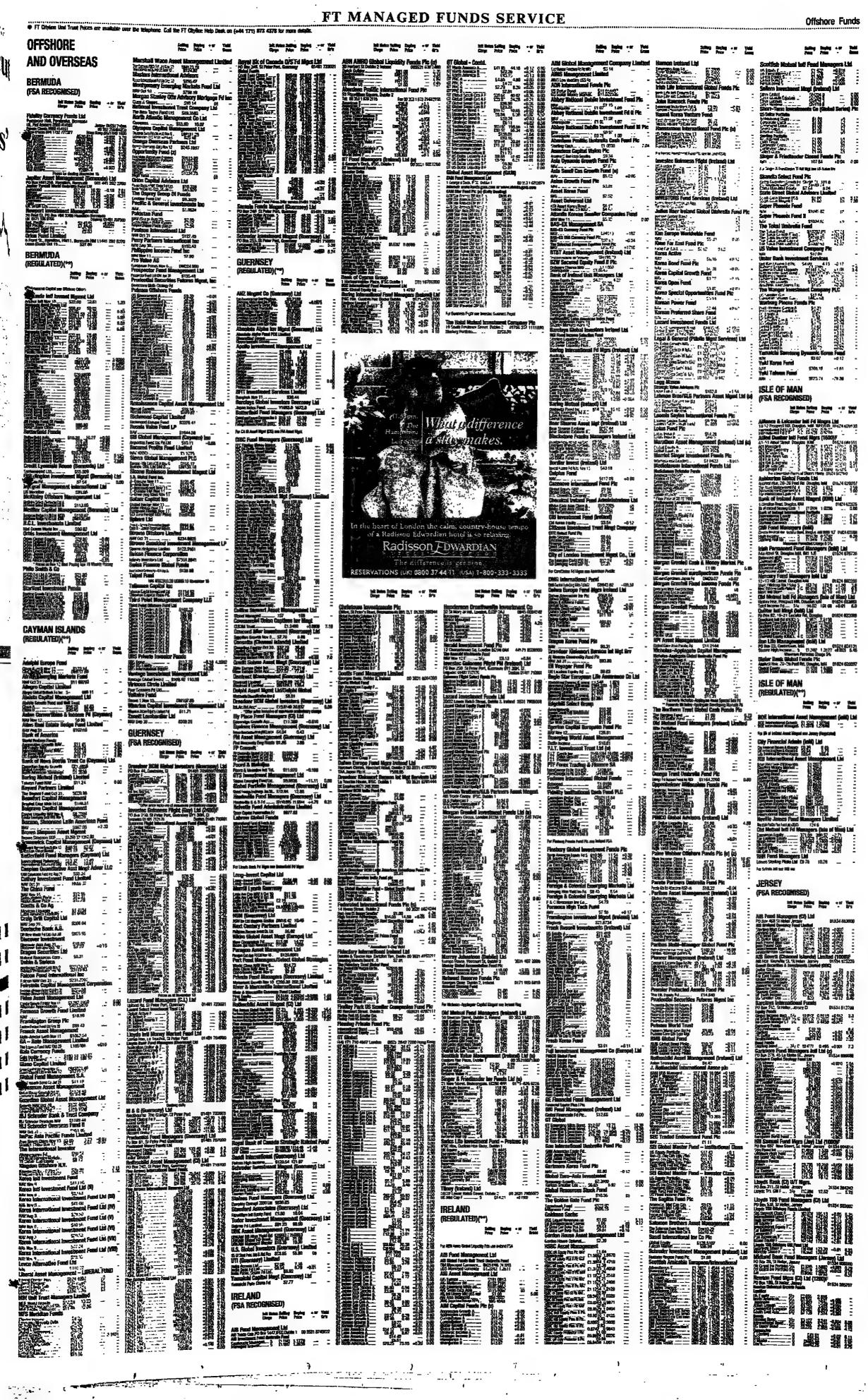
Solution to Saturday's prize puzzle on Saturday November 28. Solution to yesterday's prize puzzle on Monday November 30.



2027 +82 2027 1976 347 4,944 1832 +34 1833 1896 4,812 22,294 1983 +32 1896 1551 1,289 9,422 1574 +30 1570 1335 338 4,92 1891 +30 1537 1830 170 1,002 1548 +30 1830 7525 85 408 OFFICE OF COCK D7.500ms; comp/for 989 75 -1.25 572.50 588.25 4.462 4.837 577.90 -0.25 579.50 575.50 38,327 67,239 587.00 -0.25 589.00 584.50 5,140 28,840 585.25 41.50 586.30 582.50 1,764 12,877 602.75 -504.25 580.50 4.82 17,768 605.50 +2.00 606.00 602.00 62 1,211 61,337 130,980 1482 -0.2 148.4 148.5 18.123 52.480 149.9 -0.9 150.3 148.8 7.711 28,000 153.8 -1.1 154.2 152.7 2.944 19.161 155.9 -1.0 158.0 158.5 1.956 11,214 160.6 -0.7 161.2 159.6 2.121 14,922 162.1 -0.5 162.2 161.5 11 2.737 8.35 -0.02 8.38 8.2810.220 77.394 8.42 - 8.42 8.22 1.453 17,768 6.46 -0.02 8.47 9.35 2,107 17.05 8.60 +0.02 8.60 8.47 886 12,054 8.66 - 8.68 8.75 388 7,899 8.94 -0.02 8.88 8.85 135 1,993 Jan Jul Sep Hor Total Copper Lead (US prod.) Tin (Kraik Lumpur) Tin (Hear York) 455.00 +2.50 455.00 452.25 Cattle (the weight) Sheep dive weight) Pigs (the weight) All labores data supplied by CMS. Lon. day augar (raen) Lon. day augar (raen) Barley (Eng. feed) Mazze (US No3 Yellow) Wheet (US Dark Marti) Nov 13 month ago 1471.0 1470.8 Mirror Metalls from Metal Bulletin
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mm, 99,8%, 14,50-15,50 (13,50-14,30),
min, 99,3%, 12,70-13,80 (13,50-14,30).
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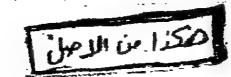
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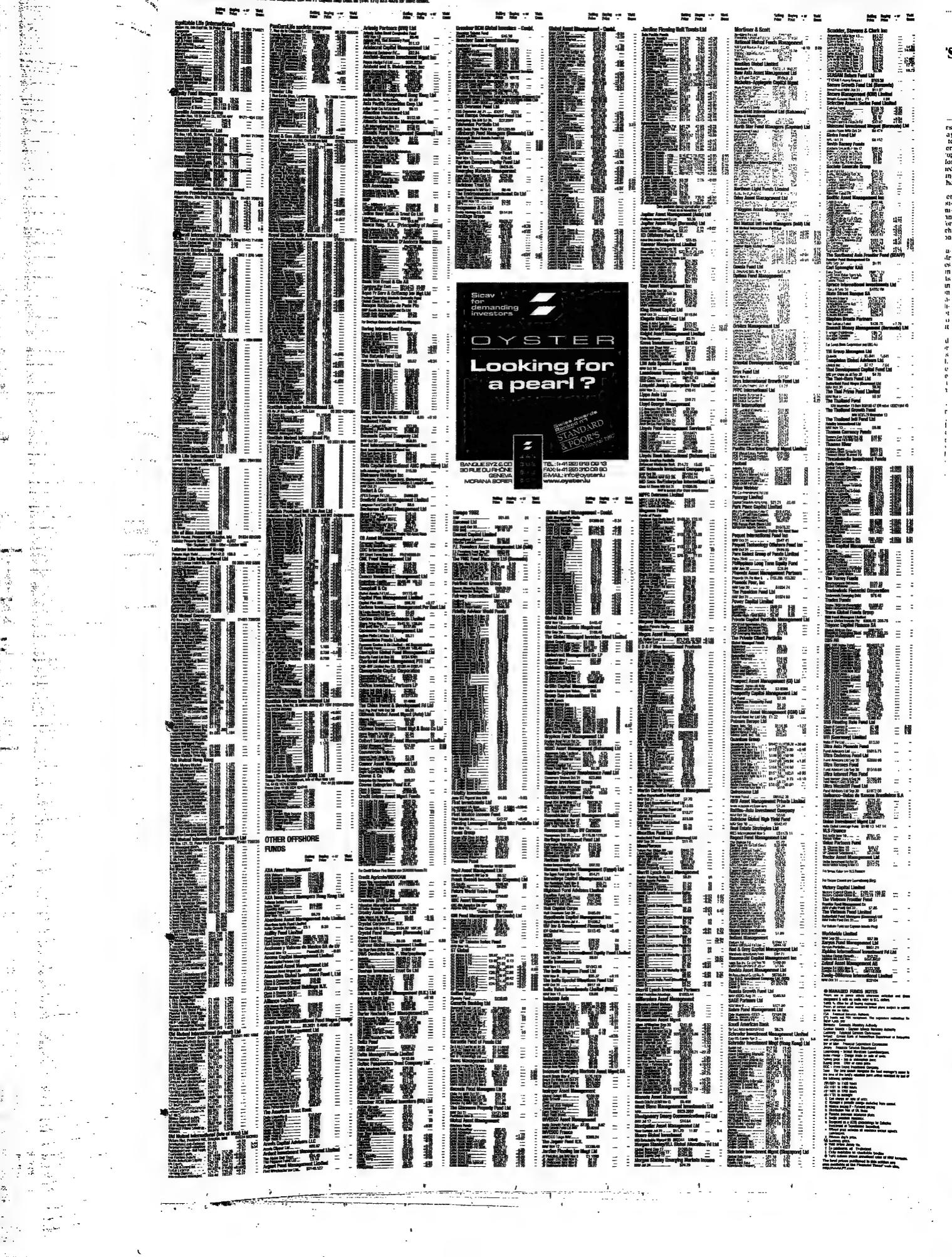
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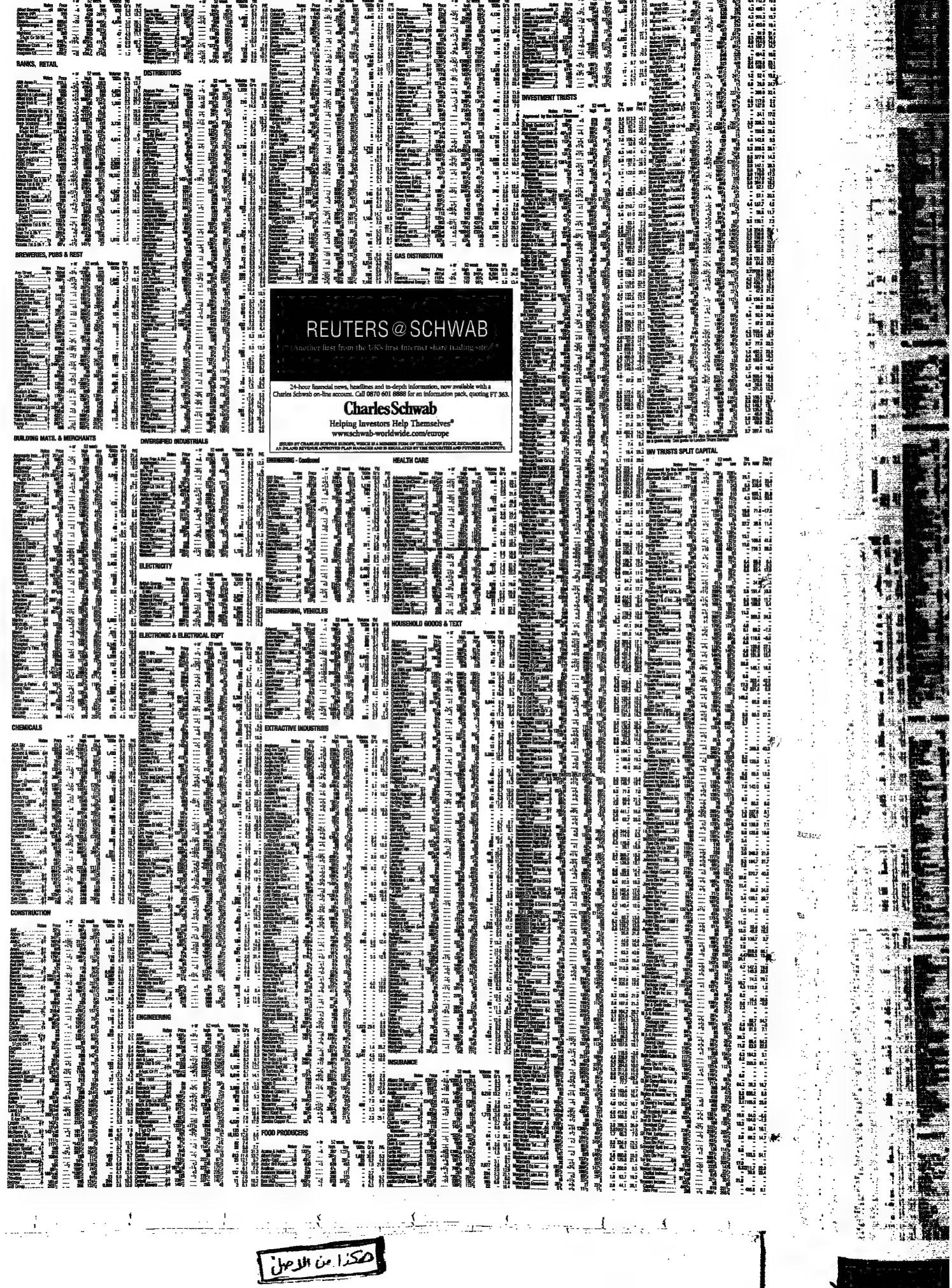
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ALCOHOLIC REVERAGES



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# Footsie shrugs off more gloomy corporate news

MARKET REPORT By Philip Coggan Markets Editor

A stock market battle was autumn. fought again yesterday between a positive internawent to the former.

tions, combined with optimism about the outcome of today's meeting of the US Federal Reserve open market committee, meant that

the Fed will cut rates by a quarter of a percentage point for the third time this

Asian markets set the tone for the day, with Hong Kong tional background and some gaining 3 per cent and Japan discouraging news from the unveiling more details of a corporate sector. Victory Y24trn restructuring plan. London could hardly resist The weekend climbdown the bullish mood. The FTSE in the first seven minutes of

enough, the Dow quickly leapt past 9,000 when New York opened. And the pound, which has recently shown worrying signs, from UK manufacturers' point of view, of regaining some of

against the D-Mark. All this enabled the FTSE 100 index to close 47.3 higher by Iraq over weapons inspec- 100 index reached its high at 5,510.5. Like the blue-chip for the day, up 77.5 at 5,540.7, index, the benchmarks for medium and smaller companies were positive through-Support also came from out the session, although the Wall Street, where electronic trading range was fairly limequity markets round the trading indicated the Dow ited. The FTSE 250 index

globe had an upbeat air yes - Jones Industrial Average ended 9.2 ahead at 4,835.6 Strategists continued to terday. Most analysts believe would open well and, sure and the SmallCap index 0.1 speculate on the outcome of up at 2.067.2.

But the markets were unable to ignore some more bad news on corporate profits, as two leading compaits former strength, fell 2 pfg profits warning.

> lead to a loss for the full year. Unigate said it would strategy note. not beat last year's profits thanks to a "dramatic" change in the economic environment. Three smaller companies also issued warnings.

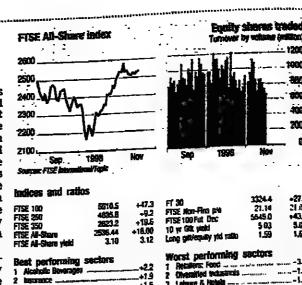
the recent two-way pull on the market.

"While robust liquidity conditions and modest valuations relative to gilts connies saw their shares take a tinue to strengthen the floor battering in the wake of a under the FTSE 100, the market still seems to lack British Steel cautioned the inspiration for another that weakness in selling assault on the 5,600 level," prices, if continued, could says the team at Credit Suisse First Boston in its latest

> "With growth slowing and earnings forecasts under pressure, interest rates hold the key to a bull view on the

"While recent statements from the Bank of England suggest we may have to wait until 1999 for the next rate cut, we take comfort from the fact that a substantial easing is nevertheless on the cards. The prospect of this outcome suggests that the market's obsession with defensive themes should be on the wane, paving the way for a long-awaited revival in the consumer cyclicals."

Trading volume was subdued yesterday, with only 672m shares dealt by the 6pm count, of which just over half were in non-Footsie stocks.



# Surging TI defies sceptics

COMPANIES REPORT By Joel Kibazo, Steve Thompson and Caroline von Loewenich

Engineering company TI Group shrugged off recent concerns as it published what some in the market viewed as a reassuring trading update. The shares hardened 27% to 354%p, the best performer in the FTSE 250.

However, many remain sceptical and one analyst said: "TI has put the best possible gloss on a deteriorating outlook. The company alluded to softness in various businesses in three key divisions. It is now clear 1999 profits will at best be flat if not down on 1998."

Lehman Brothers, which has an "underperform" rating on the stock, said: "Continued profit uncertainity is likely to undermine the share price.'

Not even the most pessimistic watchers of British Steel could have anticipated how bad the news would be from the group when it reported interim figures yesterday. The shares declined 7% to 101p, the worst performer in the FTSE 250 as fears for the dividend also damaged sentiment.

The company said it would post a full-year loss if selling

prices continued to fall. Ana- now being compounded by small profit or, at worst, the automotives."

group to break-even. pretax profit of £108m, down from £143m. Analysts moved to downgrade profit expectalowing years and several suggested the company may not be able to sustain its div-

to be covered by earnings. main area of concern, this is would also account for much

lysts had been expecting a weak volumes, especially in

Insurance stocks were The warning came as Brit- always being chased, as a ish Steel posted a first-half general feeling that the sector had been hit too hard after recent poorly-received third-quarter numbers from tions for the current and fol- Royal & Sun Alliance, plus revived, and rather vague. takeover hints.

"The sectors are thought idend of 7p a share after 1999 to have been overclubbed as the dividend is not likely and offering decent value," said one dealer, who also One analyst said: "All I hinted the market had been can see is more pain for Brit- caught short of stock. He ish Steel. Although declining also noted the stock marselling prices have been the ket's strong recovery which

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Best and worst performing FTSE sectors

of the shift in sentiment

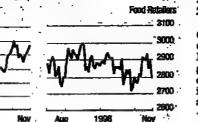
towards the sectors. Legal & General led the surge, closing 3314 higher at 69514p, closely followed by Sun Life, up 23 at 522p, and Allied Zurich, up 25 at 730p. CGU, the newly merged

Commercial Union and General Accident, rose 17 to 925p after news of its bancassurance link with Standard Chartered's Hong Kong and Singapore clients. The Hong Kong stock mar-

ket's strong performance high of 927p, reflecting more encouraged the banking switching into the shares stocks associated with the former colony. HSBC climbed 47 to £14.86, while Standard Chartered settled a fraction easier at 619p.

The leading high street banks extended their recent rally, which has been mostly driven by the prospect of falling interest rates, in the UK and elsewhere. But some sector specialists warned that the rally had gone too far too quickly and that some retracement would be inevitable. Abbey National came in

for strong support, its shares moving up 46 to £12.25 on keen turnover of 4.1m, while Barclays added 30 at £12.40



on turnover of 4.8m. Nat-

West gained 271/2 at 950p. A sharp retreat by global crude oil prices in the wake of the cooling Iraq situation prompted some intense activity in oil shares, especially the two majors, BP and Shell, which occupied the top two places in the FTSE 100 turnover table.

The two leaders moved in reporting this morning, 7% opposite directions yesterday. BP finished up 6 at 922p, after reaching a session from distillusioned holders of Shell, apparently in the wake of a Charterhouse Tilney recommendation. Shell fell 5¼ to 359½p.

The two biggest explora-tion stocks in the London market, Enterprise Oil and Lasmo, were both lower. ending off 2 at 403p, and down 5% at 172%p respec-

Sears rejects bld

A report that Sears, the retailing group, had rejected a 225p a share or £400m takeover approach from N. Brown, the mail order group, transformed sentiment in the Sears stock price esterday.

N. Brown had sought an agreed bid for Sears and was apparently unwilling to pursue a hostile bid for the com-

Sears finished 11 higher at 199p as retail specialists said the news would encourage further takeover speculation

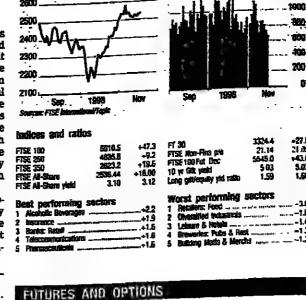
off at 167/4p. International carrier Brit-Ish Airways moved against the strong market trend as dealers reflected on a negative note from Salomon

Smith Barney. The US broker downgraded its rating on the stock to 3H (neutral high risk) from 2M (outperformmedium risk). It also slashed its target price on the stock from 500p to 440p. The shares closed 15% lower at

Mobile telephone company Vodafone was the best performer in the FTSE 100 index, adding 40% at 850%p ahead of expected strong results today.

The shares were also lifted by news that the price range for the public offering of shares in Panafon, one of Greece's three mobile phone groups, had been substantially increased. Vodafone has a 55 per cent stake in Panafon and is not selling any of its shares.

Orange rose 9 to 601p Cable & Wireless gained 221/2 to 687% supported by a "buy" recommendation from Credit Suisse First Boston.



about the company.	FUTURES	AND UP	LIONS				,
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ally unchanged on last time							
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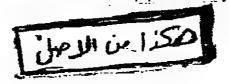
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봉석의 발표함으로 전혀 대한 경험에 대한 대한 경험에 21,82 133,95 15,96 122,96 14,88 127,47 20,41 64,22 20,20 94,74 15,94 81,30 20,16 49,26 16,77 54,95 113,65 58,11 20,12 62,32 19,82 63,09 3.89 3.89 3.05 3.07 4.06 1.96 4.61 4.35 3.19 3.12 1.5) 1.99 1.45 0.90 21.4 132.12 1974.85 12.17 13.49 856.89 25.41 145.75 2340.57 50.61 48.95 1332.67 13.22 58.69 10.51 38.11 12.20 56.57 15.45 72.95 11.59 57.13 21.55 60.32 12.74 78.00 13.49 75.72 8.19 68.02 4.02 4.84 4.85 8.13 4.40 2.84 6.21 2.39 2.40 4.45 2.19 1.81 4.85 3.75 3.25 4.18 4.80 4.86 5.54 3.90 3.15 2.16 3.15 2.07 3.96 1.96 1.96 4.05 27.07 127.90 17.26 136.96 21.81 12.51 15.76 89.87 27.03 48.87 43.42 165.24 12.81 210.91 22.21 62.21 11.73 73.51 14.71 79.87 22.53 84.32 17.63 68.90 15.71 59.05 40.67 47.70 14.48 71.77 30.72 48.11 209 201 262 216 216 217 237 248 202 1.85 ‡ 89 FISE All-Share 105 FISE All-Share ax law 9.81 3.16 3.47 +1.0 820.4 822.4 984.1 1.16 0.51 80.001 9.35 789.73 5472.1 4831.0 2807.7 2067.13 2822.40





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Equity traders could hardly have wished for a better tors anticipated the prospect the US Federal Reserve open market committee meeting today, writes Philip Coggan.

est Japanese economic stim- and their view will have

to improve sentiment,

But it was probably interest rate optimism that was the main motivator of the

A Reuters poll found that the Middle East, after Iraq's 22 out of 25 economists are weekend climbdown, the lat- expecting a quarter-point cut ulus package and renewed been strengthened by US kets may be more soundly takeover and merger industrial output numbers based than the one in the

A US rate cut would belp not only the American economy but many emerging economic bad news." markets that have links, formal or informal, with the day a good start, Europe dollar. Asian markets were

broadly stronger yesterday. Geoffrey Dennis, global emerging market equity per cent. Wall Street then ing to the information comstrategist at Deutsche Bank Securities, says the recent rally in Asian emerging mar- Jones Industrial Average

Fresh speculation about

another tie-up in the Euro-

pean chemicals industry

sent Germany's Hoechst and

creating the world's second

largest pharmaceuticals

maker after Merck of the US

have been rife for several

weeks. Weekend press com-

ment, in the wake of last

week's planned link-up

between Switzerland's Ciba

and Clariant, fuelled mat-

Hoechst put on DM2.29 to

DM78.30, after a high of

DM81.26, as hopes grew that

The FTSE Euroton 300 index

rose 15.30 er 1.42 per cent to 1,093.19. See Euro Prices page.

thing to say about an

engagement when it unveils

third-quarter earnings today.

Rhône Poulenc jumped

FRANKFURT shrugged off

the weaker dollar to close

sharply higher with the

Xetra Dax index up 141.76 or

The speculation surround-

ing Hoechst lent support to

much of the rest of the sec-

tor. BASF put on DM1.69 to

DM65.19 and Bayer was

In the banking sector.

HypoVereinsbank rose

DM1.30 to DM121 after the

supervisory board approved

the management's proposal

for a DM3.5bn provisioning

increase to cover over-

DM1.24 to DM53.22 and Dresdner put on DM1.58 to

DaimlerChrysler shares,

listed on a when-issued

DM140.90 ahead of the offi-

DM35.90 to DM1,110.05 and

Metro, Europe's largest

DM2.58 ahead at DM68.40.

day's best of FFr274.80.

3.2 per cent at 4,785.76.

rumours in Europe - this out yesterday, which showed first quarter of 1998. "Intertime involving Hoechst and a 0.1 per cent fall in October. est rates have come down have eased the credit crunch according to IBES's Joseph since then and the market has discounted more of the

> After Asia had given the picked up the baton, with 1999 earnings growth have Frankfurt particularly been rapidly revised down, strong, as the Dax gained 3.1 continued the upward pany IBES, is for 2.7 per cent momentum, with the Dow getting back above the 9,000

Hoechst and Rhone Poulenc

September, the threat to corporate profits remains the main concern for investors. Porecasts for fourth-quarter and the consensus, accord-

year-on-year growth. The forecasts for next vear's earnings still look far

on them to follow suit.

put on SFr50 to SFr8,700.

Algroup finished SFr5

AMSTERDAM put in a

strong performance with the

at a session high of 1,058.84.

Financials were higher in

line with the broad market.

Ing. a beneficiary of switch-

ing out of Aegon, rose F15 to

FI 101.90 while ABN Amro

Baan recouped some of its

recent losses. The shares

rose Fil to Fi26.50 as the

company said its software

was now also running on the

Flag carrier KLM climbed

F1 1.60 to F1 51.70 with some

investors betting that a

far-reaching co-operation pect with Alitalia would be

rose F11.50 to F138.40.

Microsoft SQL server.

unveiled next week.

lower at SFr1,635, but Ems

Now that central banks tion may not be too had, that worried the markets in Abhott. "We do not see a 1999 reappearance of the domestic economic events that impacted 1998's earnings - 1999 is more likely to he a year of earnings recovery than a deepening profits

We expect that S&P 500 earnings growth will come in around 5-7 per cent next year, not too shabby, but certainly below analysts'

**EMERGING MARKET FOCUS** 

# Bangkok pays price for rally

decline in the Thai stock market, the largest such fall in Asia, was simply the price

After the market's 82 per cent run-up since its 11-year low on September 4, some profit-taking was bound to set in. Even yesterday, the exchange began to claw its way back, taking heart from further rate cuts by banks and shrugging off some poor third-quarter reports to close up 3.5 per cent at 345.19 on the SET index.

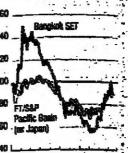
Indeed if the market does creep back towards the psychologically and technically important 400-point resistance level, share prices are unlikely to be as volatile as recently, making it easier for institutional investors to

This week the exchange started enforcing a rule limiting same-day trading where local retail investors buy and sell the same stock on the same day - to 20 per cent of any broker's total trading volume.

This will help curb volatility but it won't change the overall direction of the market," said Pattera Dilokrungof SG Asta Credit, noting that yesterday's gain was achieved on volume of Bt4.46bn, still healthy but only about half of what has been traded each session

over the past months. Whether the Thai market's gains can be sustained for the moment in spite of a continuing recession depends on domestic liquidity, brokers say. Deposit rates have fallen so fast - to around 6 per cent for a three-month deposit - that retail investors have regained their

"They don't care about the fundamentals but about the apportunity cost of keeping their money in the bank and not in the market," says one local broker.



eign investors do look at now stretched. Russell Kopp, head of research at Dresdner Kleinwort Benson, notes that over the last two months "the best performing shares were probably some of the most insolvent public companies in Thailand".

But even a long-ster bear like Mr Kopp can't hold the line against liquidity. He says investors should look to add Thai stocks over the next 12 months, but reduce holdings short-term due to corporate valuations.

So barring any external shock, like a fall in the year that could cause the That central bank to raise domes tic rates to protect the baht. foreigners may yet join say sustain this rally with a val geance - and for reasons as simple as liquidity.

"Institutional investors are very underweight That land right now. How are they going to brag to their shareholders in their year they remain under weight?" asks David Comporwho yesterday lost his job a head of research in Thelland for a leading regional broke age house. "In the next two months foreigners are going to have to come piling in. A sacked broker calling bull market. Things must be

# Dow climbs Hoechst rumour given new life back above 9,000 level

early trade, sending the Dow Jones Industrial Average back above the 9,000 level briefly in anticipation of an interest rate cut at today's Federal open market committee meeting. writes John Labate in New York

But by early afternoon, the at Salomon Smith Barney. Dow had cut its early gains in half, with a rise of 51.49 to 8,971.08. The broader Standard & Poor's 500 index gained 6.17 to 1.131.89.

With an easing of tensions between the US and Iraq, the market moved its focus back onto interest rate policy. Early news of weaker-thanexpected industrial production figures for October view that the FOMC would cut the key short-term Federal funds rate at today's

The strong comeback in equities in recent weeks. however, has taken some of the conviction out of the market. Some investors are expecting a weaker market no matter what the FOMC decision, with a sell-off after the recent rebound in stock buying.

"It's a no-win situation," said Larry Wachtel, market analyst at Prudential Securities in New York. "I think run-up in stock prices in recent weeks had little to do with the outlook for corpo-

rate earnings.
"We are expecting profits for the S&P 500 to be down next year so you need every this point," said A. Marshall Acuff, chief equity strategist

The high-tech and smallcap sectors also pushed ahead. The Nasdaq composite was up 11.10 to 1,859.09 and the Russell 2000 index of small-company shares was ahead by half-a-point to

Some of the biggest movers came as analysts changed their outlooks for individual companies. In the Technologies plunged \$24 or more than 4 per cent to \$421 after analysts at Gruntal cut

Internet search company Lycos shot up 11.7 per cent or \$6 to \$57 after analysts at Merrill Lynch raised its rat-

their rating.

Two high-flying internet-based initial public offerings from last week fell to earth. with the dobe com down 24 per cent or \$15% to \$48%. EarthWeb fell \$4% or 7 per

TORONTO shead by a small margin at the market will sell into midsession, held up by a strength if there is a cut in firm showing in banks, with rates, or sell off quickly if the TSE-300 composite index there isn't." Others were 10.71 higher at 6,346.80.

# São Paulo jumps 4%

SAO PAULO rose strongly in In MEXICO CITY a controearly trading on the back of a firm Wall Street after fall- the market and the IPC ing 7 per cent last week. The index had advanced only 3.42 Bovespa index was 320 or 4.2 or 0.08 per cent to 4,011.04 by per cent higher at 7,935 at midsession.

versial budget bill subdued

The strong opening in Bra- thin as a result of caution

### Johannesburg edges higher

Johannesburg edged ahead, propped up by hopes for another cut in US interest rates. The overall index put response to an easing of Gulf

rials climbed 60.7 to 6,601.7. Golds, however, tumbled 33.1 to 1,010.1 as they mirrored bullion weakness at about \$295 an ounce in

Dealers said volume was

SOUTH AFRICA

zil boosted BUENOS AIRES, over the potential impact of the Merval index advancing increased taxes and fuel 2.24 or 0.47 per cent to 474.32. prices proposed in the bill.

ing plans, ran into profit-taking. The shares eased 95 pfg to DM115.45. PARIS was given a late

boost by the Dow and the CAC 40 index closed with a rise of 59.62 to 3.621.85.

prices. Elf lost FFr18 to

Analysts noted that defensive stocks such as utilities and retailers had tended to step back to make way for oversold building materials and engineering issues as investors went bargain-

But by the close. Vivendi was FFr14 higher at FFr1,222 and Carrefour FFr127 at FFr3,989. Schneider was up FFr12.90 at FFr327 and St Gobain FFr21 at FFr826. ZURICH closed higher, but

in cautious trade with investors reluctant to enter the market ahead of today's Fed open market committee meeting in the US. The SMI index was 70.7 higher at

UBS was at the centre of attention on hopes that the bank would produce positive surprises when it announce shares rose SFr15.50 to CS Group followed in its

valued property interests. wake with a SFr5.75 rise to SFr204.25, also attributed to The board also expressed confidence in the bank's Friday's aid package for management board and its CS, which is active in Brachief executive, Albrecht

zil, has come under pressure under the weight of the crites in Ruesia and Agia Insurer Zurich was stron-

basis, rose DM10.40 to ger, climbing SFr24 to SFT850, but Baloise and cial debut today. BMW rose Swiss Life, which were sought last week on specula-Volkswagen put on DM5.75 to DM131.85. tive grounds, suffered from profit-taking. Baloise lost SFr30 to

retailer, sharply higher on SFr1,240 and Swiss Life Friday on radical restructur-slipped SFr16 to SFr944. slipped SFr16 to SFr944.

in the pharmaceutical sec tor Roche certificates fell SFr260 to SFr15,950 while Novartis gained SFr17 to SF12,587.

Last week's firmer tendency in Algroup and Ems Oil stocks, higher last was called into question by week, faced selling pressure comments from the chief in response to easing Iraqi executives of both compa-tensions and falling energy nies that the Ciba-Clariant

umes pointed to a lack of enthusiasm among investors. The real-time Mibtel index rose 366 to a 10-week high of 21,004.

Montedison rose L116 to L1,909 and its energy unit Edison put on L493 to L16,570 on expectations that a liberalisation of Italy's energy market would boost

to L1,852 on a report that Europe's leading aerospace groups, in which it is represented by its Alenia business, had agreed to try to consolidate the industry by forming an integrated European defence group.

Nicholas Potter at SG Securities has a L1,950 share price target on a 12- to 18-Among Europe's em

ISTANBUL rebounded another 9.1 per cent, driven along by easing tensions in the Gulf and Friday's news that Kurdish guerrilla leader Abdullah Ocalan had been detained in Rome. The IMKB National-100 index ended 192.75 higher at 2,308,18.

WARSAW was another big winner ahead of tomorrow's trading debut for telecoms giant TPSA. The Wig index rose 688.6 or 5.5 per cent to

£59 million Management Buy-out of

Bluecrest Seafood Limited

from Booker plc



Cameron McKenna (Newco) Wild Sapte (Senior Debt)



Legal & General Ventures Limited Regulated by IMRO

# Rate cut hopes lift Hong Kong **ASIA PACIFIC**

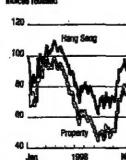
Hopes of an interest rate cut in the US after today's meeting of the Federal Reserve's swept HONG KONG higher. The Hang Seng index jumped 300.10 or 3 per cent to 10,298.09 in turnover that

picked up to HK\$6.9bn.

Brokers said the easing of tensions in the Gulf, after the US called off attacks against Iraq, and a Y24,000bn economic stimulus package announced by Japan had also helped sentiment. News from Sino Land that

it had received an encouraging response to weekend apartment sales spurred the sector. Sino Land soared 22.5 cents or 7.3 per cent to HK\$3.325, while Sun Hung Kai Properties rose HK\$3.25 or 6.3 percent to HK\$55.25 and Cheung Kong gained HK\$3 to HK\$58.75.

SINGAPORE was also sent higher by rallying property stocks on speculation developers would benefit soon from the formation of real estate investment trusts. The Monetary Authority of Singapore said earlier in the year that it had approved



higher at 1,241.74, helped by a 6 per cent rise in the property sub-index.

The heavily traded Keppel Land rose 10 cents to S\$1.73 while DBS Land put on 15 cents to S\$1.99 and Wing Tai Holdings 2 cents to \$\$1.08.

Banks also had a good day with DBS Bank foreign rising 60 cents to \$\$10.80 and United Overseas Bank foreign up 40 cents to S\$8.10. TOKYO made only modest gains in spite of a Y24,000bn

government economic stimulus package, torites Naoko The Nikkel 225 average the formation of "Reits", rose 1.1 per cent or 160.06 to session, spurred on by the which would buy up prop- 14,428.27 after trading

index of first-sector stocks 1,105.5. Volume was moder-

The stimulus package boosted construction, real estate and other related stocks. Fujita, the most heavily traded stock, jumped 32.4 per cent or Y22 to Y90, while Aoki Corporation rose 10.1 per cent or Y7 to Y76, Haseko 7.1 per cent or Y4 to Y60 and Sato Kogyo 8.1 per cent or Y8 to Y107.

The banking sector profited from reports that Sumito Y354. The sector as a giant Nan Ya Plastic. whole rose 1.3 per cent.

helped by Wall Street's rally index rising 7.99 to 422.21 as on Friday. Toshiba rose 2.8 broadly improving sentiment per cent to Y625 and Hitachi spurred demand for blue was up 2.7 per cent to Y680. chips. The electronics sector In Osaka, the OSE index was in demand with Sam-

rose 176.86 to 14,774.46. TAIPEI moved sharply Won2,100 to Won67,000 on ahead for a second straight speculation of higher earnemergency state stabilisaerty developers' empty units. between 14,205.13 and tion fund and central bank Won1,300 to Won23,200 and The Straits Times index 14,450.56. Other indices were ended 34.83 or 2.9 per cent also higher with the weighted index rose 174.25 or Won11,500.

gaining 1.2 per cent or 2.61 to day's high of 7.003.87. Turn-220.96. The broader Topix over was active at T\$87.2bn. Analysts noted confidence rose 1.1 per cent or 11.98 to had improved after the central bank raised the interest ate at 443m shares, with 516 it pays on banks' mandatory rising issues and 335 falling. reserve accounts, a move that analysts said could inject T\$60bn into the banking system.

On Friday, the index rebounded 2.6 per cent after the finance ministry launched an emergency sta-bilisation fund authorising state funds and financial institutions to buy up to T\$200hn in blue-chip shares.

The stabilisation fund moved quickly, showing net tomo Bank was considering buying of more than T\$600m applying for an injection of on Friday. Yesterday, it was public funds. Sumitomo's thought to be behind a T36 shares rose Y41 to Y1,328, rise in insurance giant Sanwa Bank gained Y16 to Cathay Life and a T\$2.90 Y1,036 and Sakura Bank Y4 surge to T\$44.60 in plastics SEOUL climbed 1.9 per

Exporters also did well, cent with the composite sung Electronics adding ing margins next year. Hyundai Electronics climbed

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Ted Bardacks